

# *Public Sector Audit*

## **Broughton Town Council**

### ***Internal Audit Report for the year ended 31 March 2023***

*Public Sector Audit*

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### **Internal Audit Report for the year ended 31 March 2023**

#### Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2023. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

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## Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

### Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

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The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p><b>Findings</b></p> <p>The accounting system has been maintained during the year on the bespoke computerised software system (RBS) designed for local councils.</p> <p>It is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</p> <p>It is noted that any income received in respect of the Mayor’s chosen charity is counted by the Clerk and Deputy and distributed directly to the charity. Such income is, therefore, correctly not now included in the council's accounts.</p> <p>The RBS accounting records presented for audit were balanced and complete to the 31st March 2023.</p>
2	Have the council’s Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p><b>Findings</b></p> <p>The council's Financial Regulations and Standing Orders were reviewed and approved at the Annual Town Council meeting held on the 23rd May 2022.</p> <p>On the 21st December 2022, the Government increased the £25,000 threshold, under the Public Contracts Regulations, to £30,000. NALC has not yet amended its Model Standing Orders and Financial Regulations to take account of this legislative change.</p> <p>The Clerk is aware of the updated thresholds and has amended Standing Orders and Financial Regulations accordingly. They will be presented to council on the 15th May for approval.</p>

		<p>Financial Regulation 1.8 formally confirms the appointment of the Clerk as the council's RFO.</p> <p>The Clerk has compiled a document that identifies key tasks which need to be undertaken on a daily, weekly, monthly, quarterly and annual basis. Such a document provides useful information in respect of the routine financial processes undertaken by the council in the event of key staff changes or unexpected staff absences.</p>
3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p><b>Findings</b></p> <p>I have tested a sample of payments from April 2022 to March 2023.</p> <p>I have reviewed for completeness, accuracy, correct year of account, authorisation by two council Members, reporting to council and classification within the council's accounts. All payments are included in the minutes for authorisation by council and the monthly schedules of payments are authorised by two council Members. The minutes record that the Financial Statement to the end of the month is noted. The monthly Financial Statement includes the schedule of payments, bank reconciliations for the bank accounts, the internal petty cash system and the budget monitoring report.</p> <ul style="list-style-type: none"> <li>➤ As previously reported, owing to the very high bank charges currently being incurred for the HSBC Current Account, the Clerk is in the process of opening a different Current Account at HSBC with much lower charges. The new account will, however, have a different system for the authorisation of BACS payments and the Clerk is able to create and pay BACS payments without a second authorisation. Owing to this, a revised system of authorisation of invoices has been established. A list of BACS payments is created by the Clerk each month and paid. Prior to each council meeting, two Councillors visit the Town Council's office and review and authorise each invoice. A stamp has been purchased which identifies the date of payment and is initialled by both Councillors. The monthly schedule of payments is also signed as authorised by both council Members.</li> </ul> <p>I am required to confirm that quotations have been sought for contracts in accordance with the council's Financial Regulations.</p>

		<ul style="list-style-type: none"> <li>➤ The Clerk has confirmed that quotations have been sought, in accordance with Financial Regulations, for outside gym equipment, CCTV, resurfacing and other contracts.</li> </ul> <p>I have tested and confirmed, for the sample tested, that VAT has been identified and correctly recorded in the accounting records for inclusion in the VAT reclaim at the year end.</p> <p>A separate account has now been established in the accounting system for s.137, of the Local Government Act 1972, expenditure. To the date of the audit £700 has been coded to s.137. The expenditure is appropriate for this statutory power and is well within the statutory limit.</p> <ul style="list-style-type: none"> <li>➤ It is noted, however, that the Clerk has obtained the General Power of Competence Module of CiCLA, and the council has formally resolved to use the power and is able to use this statutory power.</li> </ul> <p>No cheques were issued during the year.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council should allocate grants and donations to accounts code 4600/170, Grants Paid, with the exception of payments to charitable institutions, such as the Royal British Legion and Lindsey Lodge Hospice, etc.</li> </ul>
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p>	<p><u>Assessment of significant risks</u></p> <p><b>Findings</b></p> <p>The council contracts with Playsafety Ltd, a RoSPA accredited company, to undertake annual inspections of the Scawby Road play area, the skate park and the Wressle play area. As noted previously, the inspection reports dated the 18th August 2022, identified numerous safety issues requiring attention. The reports were issued to the council's Handymen and the Clerk has confirmed that all issues raised have now been rectified.</p> <p>The Clerk also contracted with Playsafety to provide inspection checklists for the play parks and the skatepark. These are now being used by the Handymen to carry out weekly inspections of these areas. Any issues identified are recorded on the checklists and the date of completion is also recorded.</p>

<p>Are financial controls documented and regularly reviewed?</p>	<p>The Risk Assessment for the allotments is now complete and will be presented to council for review and approval on the 15th May. Headstone testing was undertaken in March 2023. A report was received identifying remedial work required and this will be undertaken during the current financial year. The Cemetery Risk Assessment has not yet been undertaken and will be done during the current year. The Asset Register has been reviewed and updated and the Clerk will use this to assess which, if any, additional council owned assets require inspection.</p> <p>The Council's Health and Safety Policy was reviewed and approved at the Annual Town Council meeting held on the 23rd May 2022.</p> <p>The Clerk has reviewed and updated the Risk Assessment for the Phil Grundy Centre. Checklists have been created for fire extinguishers, emergency lighting and the fire alarm. An annual fire safety check is also undertaken.</p> <ul style="list-style-type: none"> <li>➤ At the time of the audit, first aid and play equipment training has been completed but fire marshalling and manual handling and working at heights, has not yet been undertaken.</li> </ul> <p>The previous audit recommended that the council should consider investigating the separation of the funds it holds between different institutions and the placing of other funds not required for the day to day running of the council into interest-bearing accounts during the current financial year. The council meeting held on the 19th December 2022 resolved to set up a new HSBC Business Current Account and a further account at a different institution to ensure that all funds are covered by the Financial Services Compensation Scheme.</p> <p>I have examined the council's insurance policy and the indemnity limits are considered to be adequate.</p> <p>I have reviewed the security of the council's electronic data. The Clerk has confirmed that all electronic data is stored on cloud when working in the office or at home. Both computers are also password protected.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The remedial work on the headstones at the cemetery should be completed during the current year.</li> </ul>
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		<ul style="list-style-type: none"> <li>● The Cemetery Risk Assessment should be undertaken during the current year.</li> <li>● Following the review of the Asset Register, the Clerk should identify which assets require inspection for Health and Safety purposes and provide inspection sheets to record such inspections.</li> <li>● Training should be undertaken for fire marshalling, manual handling and working at heights during the current year.</li> <li>● The council should progress the separation of funds between different institutions in order to safeguard its interests.</li> </ul>
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p><b>Findings</b> A detailed budget, which identified the council's income and expenditure cost centres, was prepared for 2022/23 and was approved by Full Council on 31st January 2022. A Precept requirement of £125,312.79 for 2022/23 was agreed.</p> <p>Monthly budget monitoring reports, which compare actual income and expenditure against the council's original budget, are produced automatically by the council's accounting system. The reports are presented to each council meeting and any significant overspends against original budget are discussed.</p> <p>The council's balances as at the 31st March 2023 totalled £187,077. This comprised earmarked reserves of £150,000 for the cemetery extension and the Phil Grundy Sports and Community Centre building project; the remainder is a general working balance of £37,077. The general balance represents 30% of the council's current Precept requirement and is considered to be low for a council the size of Broughton Town Council.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● When setting the 2024/25 budget and Precept, the council should be mindful of Government guidance in respect of the minimum general balance appropriate for a council the size of Broughton Town Council.</li> </ul>



6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p><b>Findings</b></p> <p>All income tested has been reviewed to ensure that:</p> <ul style="list-style-type: none"> <li>➤ All income due to the council has been received,</li> <li>➤ Income received is in accordance with approved charges,</li> <li>➤ Income is accurately accounted for and correctly coded in the council's accounting system,</li> <li>➤ Income is banked intact, without undue delay.</li> </ul> <p>The council's Precept and NLC Grant for 2022/23 totals £128,074.79 which agrees to the two instalments of Precept of £62,656.40 and £62,656.39 received on 29/04/22 and 02/08/22 and the NLC grant of £2,762 received on 29/04/22.</p> <p>The charges for allotments were reviewed by the Finance and Audit Committee on the 20th February 2023. The revised charges will not, however, be operative for 2023/24. For 2023/24, the fees that were set on the 21st December 2020 will continue to be charged.</p> <p>I have checked a sample of allotment income received by the council to the Allotment Register and Scale of Charges. It was noted that the Allotment Agreements, signed by the tenants for the current year, have not been signed by the Deputy Clerk as the officer appointed for this purpose. The Clerk and Deputy Clerk have confirmed that the new Agreements that were issued in January 2023 were all signed on behalf of the council. For the sample checked, since the January 2023 issue of the Allotment Agreements, income received agrees to the Scale of Charges.</p> <p>The council has received income in respect of room hire, pitch hire, cemetery, a VAT refund, a refund from British Gas, grass cutting, civic dinner and sundry.</p> <ul style="list-style-type: none"> <li>➤ I have checked and agreed a sample of income for the Cemetery, to ensure that the correct charges have been made in accordance with the council's approved Scales of Charges and the income has been correctly accounted for and banked.</li> </ul>
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7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p><b>Findings</b></p> <p>The Town Council has a petty cash float which is reimbursed as required. Cash is withdrawn from the bank using the council's debit card. A separate petty cash account is maintained in the council's accounting system which is reconciled monthly.</p> <p>I have reviewed expenditure throughout the year and confirmed that expenditure is appropriate and that VAT has been correctly identified and recorded in the accounting system.</p> <p>Petty cash payments are reported to council monthly together with all other council payments. The petty cash account in RBS is reconciled monthly as evidenced by a formal reconciliation.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p>	<p><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>All employees have received Contracts of Employment which contain clear terms and conditions.</p>

	<p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p>I have agreed the gross pay figures on the payslips from April 2022 to March 2023 to the original contracts, subsequent authorised changes to terms and conditions, timesheets and the current 2022/23 NJC pay award.</p> <p>All employees have been subject to PAYE and NI regulations and, for the sample checked, PAYE and NI deductions have been correctly paid to HMRC.</p> <p>The External Auditor requires me to check that the correct employer's pension percentage contribution has been applied. Documentation seen from the East Riding Pension Fund confirms that the 19.3% employers pension contribution that Broughton Town Council is paying is correct for 2022/23.</p>
9	<p>Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?</p>	<p><u>Appropriate recording of assets</u></p> <p><b>Findings</b></p> <p>The council's Asset Register is maintained on a spread sheet in the recommended format including the location of assets, the dates of purchase, if known, and the dates of any disposals.</p> <p>The register was presented to council in May 2022 for review and approval. It has since been updated and will be re-presented to council on the 15th May 2023. Following this, the Clerk has confirmed that it will be sent to the council's new insurers (after the 1st June 2023) and compared with the council's insurance policy schedule to confirm that all of the assets that the council own are adequately insured.</p> <p>The council does not hold any investments.</p>
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p>	<p><u>Adequate bank reconciliations</u></p> <p><b>Findings</b></p> <p>Since the introduction of the council's new accounting system, bank reconciliation statements for the council's HSBC accounts, the Virgin accounts and the petty cash account have been produced monthly. These are provided to each council meeting together with the respective bank statements. The Chairman signs both the reconciliation and the statements to confirm that both month-end balances are in agreement.</p>

	Have all bank reconciliations been reviewed by an appointed member and evidenced as such?	A review of the reconciliations confirms that there are no unusual or balancing entries.
11	Were Accounting statements prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate, were debtors and creditors properly recorded? Has the previous Internal Audit Report been submitted to council and actioned as necessary?	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p><b>Findings</b> The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The statements agree with the cashbook and there is an audit trail from underlying financial records to the final accounts.</p> <p>The total of the Asset Register as at 31/03/23 agrees to box 9, fixed assets, on the Accounting Statement on the AGAR and the figure in box 8, total value of cash, agrees to the year-end bank reconciliation Statement.</p> <p>The 2022/23 Interim Internal Audit Report was presented to the council on the 27th February 2023. The report was approved, and it was resolved that the Clerk would address any issues.</p>
12	If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?	<p><u>Exemption Certificate</u></p> <p><b>Findings</b> The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
13	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p><u>Exercise of Public Rights</u></p> <p><b>Findings</b> A review of the council's website has confirmed that, during the summer of 2022, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.</p>

14	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p><b>Findings</b></p> <p>I have reviewed the council's website and confirmed that the Town Council published the correct documents as required by the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.</p>
15	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p><b>Findings</b></p> <p>The council's Clerk has identified that the council is the sole Trustee of the Village Hall. A review of the council's website confirms that in previous years the former Town Clerk has declared that the legislative requirements with regard to being a sole Trustee were "Not applicable."</p> <p>The Charity Commission Website identifies that Broughton Village Hall is a registered charity; the registered number is 521902.</p> <p>The website also identifies:</p> <p><u>Activities - how the charity spends its money</u></p> <p>Community building</p> <p><u>Address</u></p> <p>Broughton Village Hall, High Street, Broughton, Brigg, North Lincolnshire, DN20 0JR.</p> <p><u>Email</u></p> <p>broughton_villagehall@outlook.com</p> <p><u>Website</u></p> <p>broughtontowncouncil.co.uk</p> <p><u>Telephone</u></p> <p>01652658171</p> <p><u>Last Recorded Financial Year:</u></p> <p>Financial year ending 31 July 2021</p> <p><u>Last Recorded Income:</u></p> <p>£24,698</p>

		<p><u>Last Recorded Expenditure:</u> £16,293</p> <p><u>What the charity does:</u> General Charitable Purposes, Arts/culture/heritage/science, Amateur Sport.</p> <p><u>Who the charity helps:</u> Children/young People, Elderly/old People, Other Charities Or Voluntary Bodies, The General Public/mankind.</p> <p><u>How the charity helps</u> Provides Buildings/facilities/open Space</p> <p><u>Where the charity operates:</u> North Lincolnshire</p> <p><u>Registration history:</u> 07 November 1963: Standard registration</p> <p><u>Trustees</u> Broughton Town Council</p> <p><u>Governing document</u> Trust Deed dated 28th May 1959</p> <p>The council, as managing Trustee, must comply with any legal requirements of the Trust Deed, including annual reporting to the Charity Commission.</p> <p>The council must ensure that Trust Fund income and expenditure is not included in the council's accounts and AGAR. I have seen no evidence that Trust figures have been included in the 2022/23 accounts.</p> <p>The Trustees must also ensure that the conditions in the Trust Deed are being complied with.</p> <ul style="list-style-type: none"> <li>➤ The clerk has confirmed that she has identified that many of the conditions of the Trust Deed are not currently being complied with. She is aware of the requirements regarding the composition of the Management Committee and other important procedural matters which are currently not in place or are inadequate. A meeting is scheduled to take place on the 14th August 2023 to discuss and take steps to correct the failings.</li> </ul>
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		<p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The following are extracts from the 2022 NALC Governance and Accountability Guide for Local Councils and must be followed by the council: <ul style="list-style-type: none"> <li>➤ Meetings of the authority when it is acting as Charity Trustee must take place separately from those of the authority acting as the authority. Separate minutes must be kept. In order to avoid confusion, trust business should always be minuted separately from authority business.</li> <li>➤ The Clerk should take responsibility for guiding the authority regarding the capacity, either as the authority or as trustees for a charity, in which members are meeting. The chairman should make clear to the meeting, at the outset and throughout, the capacity in which it is meeting, particularly if authority and trust meetings are held one after the other or where confusion around capacity is possible.</li> <li>➤ The value of trust property must not be shown in the authority's books of account and on the Annual Governance and Accountability Return as authority property. Trust assets held by the authority as custodian or managing trustee should, however, be recorded in the authority's asset register and identified there as 'charity assets held by the authority as trustee' with their value excluded from the total.</li> </ul> </li> <li>● In order to comply with legislative, Government and External Audit requirements and guidance, the council, as sole Trustees of Broughton Village Hall, must ensure that it meets all statutory and legal requirements in respect of this Trusteeship.</li> <li>● An Action Plan should be prepared, including a timeline for the implementation of the requirements that the council need to comply with.</li> </ul>
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## Executive Summary

The accounts and governance arrangements of the council have been maintained to a very high standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is excellent and the consideration and adoption of the above recommendations will strengthen the systems, procedures and governance arrangements already in place.

As a result of the identification that the council is the Sole Trustee for Broughton Village Hall, important legal, governance and procedural issues and failings have been identified. These must be addressed by the council, acting as Sole Trustees, without undue delay.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2022.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

*Public Sector Audit*

10<sup>th</sup> May 2023

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