

# *Public Sector Audit*

## Broughton Town Council

*Internal Audit Report for the year ended 31 March 2024*

*Public Sector Audit*

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# Public Sector Audit

## Broughton Town Council

### **Internal Audit Report for the year ended 31 March 2024**

#### 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 2024. 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 a 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 the council has received a donation from the Ex Service Association. The funds are ringfenced to be used for the annual Remembrance Day wreath.</p> <p>The RBS accounting records were balanced and complete to the 31st March 2024.</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 15th May 2023.</p> <p>Both Standing Orders and Financial Regulations are the latest NALC Models and have been updated to reflect all revised Government thresholds for public sector contracts.</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 large sample of payments from April 2023 to March 2024.</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 and the internal petty cash system.</p> <p>I am required to confirm that quotations have been sought for contracts in accordance with the council's Financial Regulations and I have reviewed a file of such quotations sought and received that is maintained by the Clerk.</p> <p>I have tested and confirmed that VAT has been identified and correctly recorded in the accounting records for inclusion in the VAT reclaim at the year end.</p> <p>The council has confirmed its eligibility to use the Power of Competence. It currently, however, does not maintain a nominal ledger code for this statutory power. All grants are coded to a general grants code (4600/170). The council also correctly maintains a separate accounting code (4610/170) to record any expenditure it makes using the powers it has under s.137 of the 1972 Local Government Act. As the council has the General Power of Competence, the only expenditure that it needs to code to s.137 are donations to Charities such as the Remembrance day wreath.</p> <p>No cheques have been issued during the year.</p>
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On 26 October 2023, the Levelling-up and Regeneration Act (the 2023 Act) received Royal Assent. Section 82 of the 2023 Act amends the Local Government Act 1894 (the 1894 Act) by inserting a new section 19A into the 1894 Act. Section 19A came into force on 26 December 2023.

- The government's view is that its amendment, in the form of section 19A, clarifies that the 1894 Act does not affect the discretionary powers of parish councils in England to fund church repairs or improvements or property held for an ecclesiastical charity.
- Councils will, therefore, need to consider requests in respect of church property or property held for an ecclesiastical charity as they would any other funding request. Funding powers, further to section 19A of the 1894 Act coming into force, are discretionary. Town and Parish Councils are not under any additional duties as a result of the 2023 Act and the insertion of section 19A to the 1894 Act.
- NALC's previous view on this subject (as set out in Legal Briefing L01-18 – financial assistance to the church) was that only explicit local council powers could override the prohibition in the 1894 Act to fund churches. NALC is now, therefore, withdrawing Legal Briefing L01-18, further to the Government's amendment as per section 19A which came into force on 26 December 2023. NALC has updated and reissued Legal Topic Note 31E to remove references to the prohibition, which will no longer apply since section 19A came into force. A further advice note, LO2-23, was issued by NALC on the 20th December 2023, which provides additional clarification on this subject.

#### **Recommendations**

- The council should change the description of accounting code 4600/170 to "General Power of Competence" to correctly identify the statutory power being used for such grants and donations. Accounting code 4610/170 should continue to be maintained, and the annual purchase of the Remembrance day wreath should be analysed to this code.
- The council should take note of the change in the legal position in relation to the funding of church repairs, or improvements or property held for an ecclesiastical charity, since the introduction of the Levelling-up and Regeneration Act 2023.

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>Are financial controls documented and regularly reviewed?</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 and the skate park. The latest inspection report, from the September 2023 inspection has been received and actioned.</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>The Risk Assessment for the allotments was reported to council on the 15th May 2023. Headstone testing was undertaken in March 2023. A report was received identifying remedial work required and this has now been completed. The Cemetery and Churchyard Risk Assessments have now been prepared and weekly inspections sheets are completed.</p> <p>The Council's Health and Safety Policy was reviewed and approved at the Annual Town Council meeting held on the 15th May 2023.</p> <p>Following the Clerk's review of the Risk Assessment for the Phil Grundy Centre. Checklists have continued to be used 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>➤ First aid and play equipment training has been completed. Fire marshalling, manual handling, working at heights, COSHH and Health &amp; Safety at work have also been undertaken.</li> </ul> <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>
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		It is noted that the Clerk has drafted a council Investment Strategy, which will be presented to council for review and approval during the current financial year.
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></p> <p>A detailed budget, which identified the council's income and expenditure cost centres, was prepared for 2023/24 and was approved by Full Council on 19th December 2022. A Precept requirement for 2023/24 of £125,000.00, including Council Tax Grant, 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. Since the Interim audit these have been included with the Financial Statements provided by the Clerk to each council meeting.</p> <p>The council's balances as at the 31st March 2024 totalled £185,662. This comprised earmarked reserves of £40,000 for the cemetery extension and £100,000 for the Phil Grundy Sports and Community Centre building project; the remainder is a general working balance of £45,662. 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> <ul style="list-style-type: none"> <li>➤ As noted in section one of this report, the council received an earmarked reserve as a donation from the Ex Service Association. This is recorded in the accounts as £14,623 and can only be used to purchase the council's Remembrance day wreath.</li> </ul> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● As the council maintains earmarked reserves for specific purposes, which also includes the donated funds from the Ex Service Association, the individual funds should be identified in RBS and recorded on a reserves statement which identifies any movements in all of the council's reserves during the year, as funds are added or expenditure is incurred, in respect of each earmarked fund.</li> </ul>



		<ul style="list-style-type: none"> <li>● The identification of the Ex Service Association donation as an earmarked reserve in the council's accounts will have the effect of reducing further the council's general balance. The council must, therefore, when setting the 2025/26 budget and Precept, have regard to the Government's guidelines in respect of the recommended size of general reserve that is 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 2023/24 totals £125,000, which agrees to the two instalments of Precept of £61,262.00 received on 25/04/23 and 25/07/23 and the NLC Council Tax grant of £2,476 received on 25/04/23.</p> <p>I have checked a sample of allotment income received by the council to the Allotment Register and Scale of Charges. It is noted that the fee for "Easy Gardening" plots has been agreed by council, but the charge has not been added to the scale of charges.</p> <p>The council has also received income in respect of grants, donations, room hire, pitch hire, cemetery, a VAT refund, grass cutting verges and PROW, Bonfire night, calendar sales and miscellaneous. I have agreed income received to current authorised charges, invoices, supporting documentation and the accounting system.</p> <p>It was previously noted that, in the absence of a Mayor's Charity bank account, any income for the Mayor's chosen charity has been paid into the council's bank account and recorded in the council's accounting system. The reason for this is understood, but this results in non-council income (and expenditure when any funds are paid over to a chosen charity) being included in the council's year-end accounting statements submitted to</p>

		<p>the External Auditor. This is contrary to the intention and purpose of the AGAR, which is intended for a local council to report only its own income and expenditure as part of the "whole of Government accounting" process. The Clerk has confirmed that income in respect of the Mayor's Charity(s) is now handed straight to the Charity(s) and not included in the council's accounts.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The charge for Easy Gardening plots at the allotments should be added to the council's formal scale of charges.</li> </ul>
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 from April 2023 to March 2024 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>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p>	<p><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>All employees received Contracts of Employment which contain clear terms and conditions.</p> <p>I have agreed all gross pay figures on the payslips from April 2023 to March 2024 and for new the employee from the commencement of his employment on the 3rd July 2023.</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>

	Has PAYE and NI been correctly deducted and paid to HMRC?	The External Auditor requires me to check that the correct employer's pension percentage contribution has been applied. The East Riding Pension Fund 3-year Actuarial Report for 2023/24 to 2025/26 confirms that the 19.3% employer's pension contribution that Broughton Town Council is paying is correct for 2023/24.
9	Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?	<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 on the 15th May 2023. Following this, the Clerk has confirmed that it was forwarded to the council's new insurers 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>A review of the register confirms that, for the sample checked, new assets have been added using the correct valuation method.</p> <p>The council does not, as at the year-end, hold any investments.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● When the council has transferred funds into the account with CCLA, the investment will need to be added to the Asset Register. This should be done by way of a footnote to the register to acknowledge the council's investment (as the Asset Register is officially an Asset and Investment Register) but should not be included in the total for the purpose of completion of box 9 on the year-end Accounting Statement on the AGAR.</li> </ul>
10	Were bank reconciliations performed on a regular and timely basis?	<p><u>Adequate bank reconciliations</u></p> <p><b>Findings</b></p> <p>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</p>

	<p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p>respective bank statements. Two councillors sign each reconciliation to confirm that the month-end balances on the reconciliations and the statements are in agreement.</p> <p>A review of the reconciliations confirms that there are no unusual or balancing entries.</p> <p>It is noted that CCLA has finally confirmed that a Public Sector Deposit Fund Account was opened on the 28th March 2024. As at the year-end no funds have been deposited in the account. An initial deposit will be made when the council has decided on the amount to be deposited. This will spread the council's funds over different banking institutions and reduce its exposure in the event of future bank collapses.</p>
11	<p>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?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p><b>Findings</b></p> <p>The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included. It is noted, however, that the council's expenditure for 2022/23 and both income and expenditure for 2023/24 exceeded £200,000, which is the threshold for the reporting of a council's accounts on an Income and Expenditure basis. The NALC/SLCC Governance and Accountability Guide confirms that: <i>"Current rules require authorities where the gross income or expenditure for the year (whichever is the higher) has exceeded the threshold of £200,000 for a period of three continuous years, to report their financial details on an income and expenditure basis, from the third year onwards."</i></p> <p>The statements agree with the cashbook and there is an audit trail from underlying financial records to the final accounts. As noted in section 15 of this report, salary costs have been incurred and included in box 4 - staff costs - on the AGAR, in respect of the Village Hall Trust affairs.</p> <p>The total of the Asset Register as at 31/03/24 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 final Internal Audit Report was presented to the council on the 15th May 2023. The report was approved, and it was resolved that the Clerk would complete all recommendations.</p>

		<p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● If it is likely that either income or expenditure will exceed £200,000 during the current financial year, the Clerk should contact RBS and identify what steps need to be taken to prepare the accounting system to report on an income and expenditure basis, and thereby include both debtors and creditors at the year-end.</li> </ul>
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></p> <p>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></p> <p>A review of the council's website has confirmed that, during the summer of 2023, 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 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> Broughton Village Hall, High Street, Broughton, Brigg, North Lincolnshire, DN20 0JR.</p> <p><u>Email</u> broughton_villagehall@outlook.com</p> <p><u>Website</u> broughtontowncouncil.co.uk</p> <p><u>Telephone</u> 01652658171</p> <p><u>Last Recorded Financial Year:</u> Financial year ending 31 July 2022</p> <p><u>Last Recorded Income:</u> £15.62k</p> <p><u>Last Recorded Expenditure:</u> £27.59k</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>
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It is noted that formal meetings of the Broughton Town Council/Broughton Village Hall Trustees have been held in April and October 2023 and January 2024. Many unresolved issues have been identified and the council has agreed to provide administrative support to the Trust. An Action Plan has been prepared, responsible persons have been identified to resolve the outstanding issues and a timeline for completion of these matters has been prepared.

From November 2023 the Deputy Town Clerk has been undertaking administrative duties for the Village Hall. The cost of this has been met by the council and, therefore, the percentage of salary that relates to the Village Hall has been included in staff costs on the accounting statement and hence in box 4 on the year-end Accounting Statement. This is contrary to the External Auditor's guidance that neither income nor expenditure for the Trust can be included in the council's figures on the Accounting Statement.

It is noted that the financial information for the year-ended 31st July 2023 has not yet been submitted to the Charity Commission. The Charity Commission website confirms that reporting is up to date as the reporting deadline is the 31st May 2024.

**Recommendations**

- The council should identify a methodology to exclude the staffing costs associated with the Deputy Town Clerk's time spent on Trust work and thus, in the future, ensure that such costs are not included on the year-end Accounting Statement.
- The financial information for the year-ended 31st July 2023 should be submitted to the Charity Commission as soon as is practical.

## Executive Summary

The accounts and governance arrangements of the council have been maintained to a 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 good and the consideration and adoption of the above recommendations will serve to further enhance and strengthen the systems, procedures and governance arrangements already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2024.

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*

22<sup>nd</sup> April 2024

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