

The Councillors,
C/O Emma Von Sembach RFO
Crowle and Ealand Town Council
The Chapels. Crowle Cemetery.
Mill Road. Crowle.
North Lincolnshire.
DN17 4LN.

21/04/2023

Dear Emma,

Final Internal Audit Report for Crowle and Ealand Town Council (for the year April 2022 –March 2023).

The NALC Practitioners Guide March 2023 was used to formulate the basis of this audit.

Full details of all findings reproduced in the attached document.

Outstanding issues from interim report:

Staff Salaries; back pay calculation error has been adjusted and payment made to the effected employee.

Website; General layout of the website home page has older information more visible than current information, under the upcoming events section. I would suggest that when reviewing the website the order of minutes and events etc. especially on the Home screen be in most recent date order first, as would be consistent with the format used on the more detailed information screens. – This is still the case and may need the web developer to advise.

New issues from the final review

Section 9 2022 AGAR: Amount in AGAR spreadsheet provided at the last final inspection has been transposed in error on the final published form in 2022. Figure should have read £150,533 but read £150,831 instead. This looks to be a transposition error copied form the variance working sheet and is less than 0.2% and therefore judged not material in peoples reading of the council's finances. Figure altered in this year's AGAR.

Any questions please do not hesitate to contact me via the RFO.

Yours sincerely,



AGAR Certificate reference	Internal Audit action for expected controls	Findings
<p>A. Appropriate accounting records have been kept throughout the year. and Periodic bank reconciliations were properly carried out during the year.</p>	<ul style="list-style-type: none"> • Ensure the correct roll forward of the prior year cashbook balances to the new financial year • Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained • Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members • Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, section 2, line 8. • Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy. 	<ul style="list-style-type: none"> • Confirmed • all transactions checked matched the accounting records • July 2022 reconciliation checked and signatures witnessed • Confirmed as correct • Updated policy enacted 14/06/2022
<p>B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.</p>	<ul style="list-style-type: none"> • Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the Sos and FRs which should be based on the latest version. • Ensure that consistent values are in place for the acquisition of formal tenders between Sos and FRs (frequently different 	<ul style="list-style-type: none"> • Grass cutting tender not showing properly on website, potentially this may explain why no applications have been received. Amendments made on the day of the audit so tender application now visible. Suggest the deadline be extended to allow applicants chance to apply. • Documents are aligned checked in September and April

	<p>limits are recorded in the two documents)</p> <ul style="list-style-type: none"> ● Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation ● Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments ● Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements ● Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place 	<ul style="list-style-type: none"> ● Stamp now in full use providing a very clear audit trail. Fully detailed minutes where payments agreed and authorised. September invoices spot checked and reviewed and found to be in order. ● Minimal number of cheques now issued, mainly all bacs transfers. Two signatures required on cheques. ● Qrt 1 end date 30/06/22 was submitted 20/07/22. Full submission list observed and repayment received. Yearend VAT balance confirmed. ● Equals card only card used (pre-loaded cash card). Used in the main for Office sundries and the balance on the card is never in excess of the FR spending limits for the clerk and RFO
<p>C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<ul style="list-style-type: none"> ● Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc ● Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including 	<ul style="list-style-type: none"> ● 10/05/2022 adopted by council. ● Building valuations where revised a few years ago, given the recent changes in the economy may want to have another

	<p>councillors) liability, business interruption and cyber security</p> <ul style="list-style-type: none"> • Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation • Review the effectiveness of internal control carried out by the authority 	<p>professional valuation in the next year.</p> <ul style="list-style-type: none"> • ROSPA carry out an annual inspection, invoice of the 17/08/2022 witnessed to show that annual inspection has taken place. • Budgetary control has highlighted increase in electricity cost. Difficult in current climate for the council to do anything other than await further government information on the current situation, (6 month help package recently announced but detail unclear) May want to develop a contingency plan regarding potential spending cuts if situation not resolve by external factors.
<p>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</p>	<ul style="list-style-type: none"> • Ensure that the full Authority, not a committee, has considered, approved and adopted the annual precept for the coming year in accordance with the required parent Authority timetable • Ensure that current year budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances • Review the budget performance either during the year or at the financial year-end 	<ul style="list-style-type: none"> • Full meeting 08/11/2022 adoption of budget • July commentary and March year end commentary seen • July 2022 minute and budget report showed

	<p>seeking explanations for any significant or unanticipated variances</p> <ul style="list-style-type: none"> • Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process • Ensure that the precept received in the accounts matches the prior year submission form to the relevant authority and the public record of precepted amounts 	<p>£32,500 of precept not been received when expected in the month. Was received a month later in August</p> <ul style="list-style-type: none"> • Budget for next year has earmarked funds for open spaces to the value of £32,702.75, performance on this to be assessed next time • £65,000 requested last year, £65,000 in budget for this year and full amount was received
<p>E. Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.</p>	<ul style="list-style-type: none"> • Review "Aged debtor" listings to ensure appropriate follow up action is in place • Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored. • Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been 	<ul style="list-style-type: none"> • In September the balances from the previous audit followed up and noted Invoice no.1071 balance of £100 outstanding since Oct 2021, has now been cleared. Only other debtor was for £42.50 for which the cheque was received 14/09/22 and yet to be cashed. In the April Audit only one Debtor for £50 and the debt was <30 days old so processes are working • Managed by the allotment society, councils tenant is the society. One annual payment received. • Random plot selected (Plot 52) interment form, fees and plot allocation all in order

	<p>charged at the correct approved rate and been recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates)</p> <ul style="list-style-type: none"> ● Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised ● Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time ● Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income ● Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked 	<p>Confirmed copy of "green slip" retained when received</p> <ul style="list-style-type: none"> ● Chapel at the front of cemetery now functioning since the 01/04/23, recommend a diary and invoice cross reference system instigated by the RFO for the next audit, recommend that the insurers be informed of the leasing of this chapel if they haven't been so already ● No new tenants, leases have rolled over. Formal review to ensure tenants are upholding their agreements may be advisable within the next year. ● N/A ● No debt currently outstanding at date of audit
F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for	<ul style="list-style-type: none"> ● A number of authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a "Not covered" response is 	<ul style="list-style-type: none"> ● Not used, balance not changed since last year

	<p>frequently required in this area.</p> <ul style="list-style-type: none"> ● Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc.) ● Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held ● Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held ● Ensure that VAT is identified wherever incurred and appropriate ● Physically check the petty cash and other cash floats held ● Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till “Z” total readings 	<ul style="list-style-type: none"> ● N/A ● N/A ● N/A ● N/A ● N/A ● N/A
<p>G. Salaries to employees and allowances to members were paid in accordance with the authority’s approvals, and PAYE and NI requirements were properly applied.</p>	<ul style="list-style-type: none"> ● Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract ● Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability ● Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours 	<ul style="list-style-type: none"> ● Contracts are in place ● Quickbooks used to calculate wages and set correctly and Tax code notices cross referenced to system ● Scale rate for one employee found to be incorrect at time of audit, error made in update of rates in March 2022 incorrect column read in error. Wages amended accordingly in next payment run and employee informed.

	<ul style="list-style-type: none"> • Ensure that appropriate tax codes are being applied to each employee • Where free or paid for software is used, ensure that it is up to date. • For the test sample of employees, ensure that tax is calculated appropriately • Check the correct treatment of Pension contributions • For NI, ensure that the correct deduction and employer's contributions are applied: NB. The employers allowance is not available to councils but may be used by other authorities • Ensure that the correct employers' pension percentage contribution is being applied • Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies. 	<ul style="list-style-type: none"> • Sample code reviewed and found to be correct • Cloud based software so updates automatic • Compliant • Compliant • Compliant • Compliant • Compliant
<p>H. Asset and investment registers were complete and accurate and properly maintained.</p> <p>This section/assurance should be extended to include loans to or by the authority</p>	<p>Tangible Fixed Assets:</p> <ul style="list-style-type: none"> • Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets • Physically verifying the existence and condition of high value, high risk assets may be appropriate • Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement • Additions and disposals records should allow tracking 	<ul style="list-style-type: none"> • Viewed register, no new assets purchased • Items on the fixed asset register selected for inspection and confirmed • Cross referenced register to insurance document and no gaps found

	<p>from the prior year to the current</p> <ul style="list-style-type: none"> • Ensure that the asset value to be reported in the AGAR at section 2, line 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and / or disposals <p>• Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or “self-insured” by the Authority</p> <p>Fixed asset investments:</p> <ul style="list-style-type: none"> • Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the “Investment Strategy” and reported as Assets in the AGAR at section 2, line 9. <p>Borrowing and Lending:</p> <ul style="list-style-type: none"> • Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired • Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt 	<ul style="list-style-type: none"> • Provision for on document but no additions or disposal yet this year • Amount in AGAR spreadsheet transposed in error on the final published form in 2022. Figure should have read £150,533 but read £150,831 instead. This looks to be a transposition error copied from the variance working sheet and is <0.2% and therefore not material in peoples reading of the councils finances. Figure altered in this year's AGAR • Appropriate cover appears to be in place • Currently no long term investments held, but council does have a strategy in place now • N/A • N/A • N/A
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	<ul style="list-style-type: none"> • Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at section 2 line 5 • Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the AGAR at section 2, line 10 (value should be verified via the DMO website) • Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt 	<ul style="list-style-type: none"> • N/A • N/A
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.	<p>Whilst IAs are not required to verify the accuracy of detail to be disclosed in the AGAR, this assertion, together with the expectation of most Authorities, effectively requires IAs to ensure that the financial detail reported at section 2 of the AGAR reflects the detail in the accounting records maintained for the financial year. Consequently, IAs should</p> <ul style="list-style-type: none"> • Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein • Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end 	<ul style="list-style-type: none"> • N/A • Quickbooks used to provide clear accounting records and matches to the AGAR
K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the	IAs should ensure that, all relevant criteria are met (receipts and payments each totalled less than £25,000)	<ul style="list-style-type: none"> • N/A

exemption criteria and correctly declared itself exempt.	<ul style="list-style-type: none"> the correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline that it has been published, together with all required information on the Authority's website and noticeboard 	
L. The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with any relevant transparency code requirements	<p>This test applies only to those councils covered by the £25,000 <u>External Audit exemption</u></p> <p>IAs should review the Authority's website ensuring that all required documentation is published in accordance with the <u>Transparency Code</u>.</p>	<ul style="list-style-type: none"> Web page does have information on but I have highlighted some layout issues that are currently being investigated and updated.
M. The authority has, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	<p>IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory <u>30 working day period when the Authority's records are available for public inspection</u>.</p> <p>IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR</p>	<ul style="list-style-type: none"> Confirmed, 14/06/2022 minutes
N. The authority complied with the publication requirements for the prior year AGAR.	IAs should ensure that the statutory disclosure / publication requirements in relation to the prior year's AGAR have been met as detailed on the front page of the current year's AGAR.	<ul style="list-style-type: none"> Confirmed
O. Trust funds (including charitable) - the Council has met its responsibilities as a trustee	<ul style="list-style-type: none"> Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements that the council is the sole trustee on the Charity Commission register that the council is acting in accordance with the Trust deed that the Charity meetings and accounts recorded separately from those of the council 	<ul style="list-style-type: none"> N/A

	<ul style="list-style-type: none"> ● review the level and activity of the charity and where a risk based approach suggests such, review the Independent Examiners report 	
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Reporting on Internal Audit

4.21. The duties of internal audit relate to reporting on the adequacy and effectiveness of an authority's system of internal control. The minimum reporting requirement for internal audit to the smaller authority is met by completing the annual internal audit report on the Annual Governance and Accountability Return.

4.22. In most cases, particularly for larger authorities, an additional narrative report to the full council would be expected and then be published with the AGAR along with any comments from the external auditor.

4.23. Any narrative report should have conclusions that are compatible with the entries on the AGAR.

4.24. The annual internal report will inform the authority's response to Assertion 2 and Assertion 6 in the annual governance statement.

4.25. An authority should minute their review and actions planned from the outcomes of the AGAR tests and content of any narrative reports from Internal Auditors.