

## Internal Audit Report

Council: **Sleaford Town Council 2021/22**

Period: **1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022**

The requirements of this audit were discussed with the Deputy Clerk and Temporary RFO during the onsite visit (24<sup>th</sup> June 2022).

I carried out physical review of financial records and other relevant associated documents during the onsite visit and documentation has also been reviewed on-line via the Councils website:

<https://www.sleaford.gov.uk>

The following areas of review were included in the scope of the interim audit

- **Governance**  
Review of the key governance documents of a local council including Standing Orders, Financial Regulations, Code of Conduct, complaints procedures and insurance cover for the council.
- **Transparency and requirements of the Transparency Code**  
Covering the council's transparency, including, but not limited to data protection procedures, spending authorisation and the Council's publication scheme. This review also covers the Council's requirement to publish documents and records in line with the relevant Transparency Code or best practice.
- **Accounting and bank reconciliations**  
Review of financial records, the cashbook, and invoices to check that records are arithmetically correct, and an audit trail can be found for a random selection of transactions. Bank reconciliations and financial transactions have been reviewed and checked to ensure that they have been signed/authorised as appropriate by the Council.
- **Budget and income**  
Covering the council's budgeting processes and its annual precept request.
- **Asset control and risk management**  
Review of the council's asset controls and risk assessment procedures.
- **Proper process and practices**  
This includes a review of the processes followed by the council in respect of its legal powers to act, the membership of the authority including whether co-options have been carried out appropriately, declarations of interest are recorded as necessary, and registers of interest are published on the council's website.
- **Payroll and HR**  
A review of payroll processes and HR policies and procedures including the legal responsibility of the Council in respect of contracts of employment and its undertaking of annual reviews to include the update of post roles and responsibilities and periodic pay scale reviews.

- **Year-end processes**  
Reviewing the end of year bank balances, cashbook and ledger ensuring that they meet the bank statements.
- **Review of transactions in the financial year**  
A spot check of a random selection of transactions during the financial year. The review checks that there is an audit trail for the transactions from authority to spend through to payment of the invoice.

## **General**

During my visit, staff members were welcoming, polite, and courteous and openly shared relevant Council documentation and answered queries without hesitation.

The completed LALC checklist accompanies this report and identifies areas for consideration and action.

The Town Council is competently supported by an experienced, knowledgeable, and dedicated administration team who have remained key to the continued and effective delivery of Council business during periods of unrest in respect of changes to the establishment and sometimes challenging and conflicting demands by elected Members over the last few years.

The Deputy Clerk and administration staff have maintained accurate documentation for the Town Council and the recently appointed Temporary RFO is working through and updating financial records for the 2021/22 period as necessary.

I am satisfied that the accounts and balances for the 2021/22 financial and administration period are financially correct and supported by detailed and accurate [overall] records.

The Council is informed on financial matters through the presentation of detailed reports by administrative staff members; however, this continues to be staff led not Member led.

Areas for action include:

- Removal of outdated information from the website
- Policy review, update, adoption and publishing as necessary
- Staff appraisal and full reviews of job descriptions, duties and pay scales

The Council may also wish to consider a complete Governance Review (i.e., review (and implementation of a subsequent periodic schedule) of Council policy, procedure, and practice.

## **Internal Audit**

Random transactions were checked during this audit to establish an effective audit trail from the authority to spend (within minutes) through to payments made.

This report is accompanied by an Internal Audit Checklist which identifies checks carried out and relevant audit notes.

I am satisfied that the accounts and bank balances for the period ending 31st March 2022 are financially correct

The Annual Internal Audit Report 2021/22 has been completed and signed in accordance with findings during this process.

I take this opportunity to thank all staff members for their assistance and supplying of supporting documentation whilst carrying out this review.

## FINDINGS & RECOMMENDATIONS:

- **KEY DOCUMENTS AND GOVERNANCE**

**Financial Regulations (FR's)** – Updates to Financial Regulations to the latest model document and any supplementary revisions in respect of procurement thresholds should be undertaken.

There is evidence that FR's are not entirely implemented (e.g., no evidence of elected Members verifying Bank Reconciliations (signatures) / subsequent reporting (STC Constitution – Ch.4 - 2.2)

Financial Regulation 2.3 requires amendment - the **Town Council has a duty** to employ an RFO<sup>1</sup> and this **appointed officer has a duty** to sign the Accounting Statement as part of the Annual Governance and Accountability Statement.

**Note:** Financial Regulations state: *All references in this document using the words Town Clerk and RFO refer to one and the same person* – recommended update - contrary to practice.

STC Constitution – Ch.4 – 1.15 para 2 quotes outdated advisory material.

**Standing Orders** - Reviewed/amended 11/05/22. Published on website in pdf format only. Orders tailored to Sleaford Town Council but there is no evidence of proper implementation, and it appears that the recent review was cursory only. An in-depth review and update to Standing Orders including supplementary revisions in respect of tenders and procurement thresholds should be considered.

**Terms of Reference (ToR's)** – Panel Terms of Reference have not been reviewed during the 2021/22 administration period – unpublished. Panels have no delegated authority and recommendations/decisions are supported or ratified by resolution (or otherwise) by full Council. It is noted that panel meetings are suspended at the present time.

Historically, panel meeting dates were included on website calendar. Recordings of meetings are promptly published on the Town Council website and meetings are available to view on the Town Council YouTube channel.

**Code of Conduct** –The code of conduct was adopted in 2019 and is published on the Council website. A new LGA model code of conduct has recently been published and recently adopted by North Kesteven District Council; Sleaford Town Council may wish to review and consider adoption of the District Council's updated code.

**Complaints Policy** - The adopted complaints policy is published on the Councils website and slight amendment is necessary as it refers to 'parish' council (whilst parish and town councils are the same in law, this reference may be confusing to members of the public).

**Insurance Cover** – Insurance cover certification (i.e., Public Liability and Employees liability) is not published on the Councils website (best practice).

**Data protection** –the link to the Town Council data protection policy on its website is broken: <https://www.sleaford.gov.uk/PDF/Data%20Protection%20Policy.pdf>

**Health & Safety Policy** – The document displayed on the website is contradictory – it is headed 'Health & Safety Policy 2021, re-adopted May 2022 and the statement of intent is signed by a previous employee in 2022. – update is recommended.

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<sup>1</sup> LGA 1972 s.151

- **TRANSPARENCY**

**Previous Internal Audit Report** - The previous internal audit report (October 2021) was received by the Finance and Strategy Panel and presented to Town Council. There is **no evidence** to show that this report was **properly considered or acted upon**.

**Provision of Public Rights** - Adequate provision was made for the exercise of public rights to inspect accounts (and supplementary documentation) for the financial year and administration period 2020/21. Evidenced – website

### **Appointment of Internal Auditor**

- a) Internal Auditor appointed commencing 1<sup>st</sup> May 2021 on a contractual basis (3 years) with adequate letter of appointment and Terms of Engagement issued. A detailed scope of audit was discussed with the appointed Finance & Strategy Panel and [the then] Town Clerk & RFO.
- b) Due to change in roles (i.e., appointment of the Internal Auditor by the Authority as Temporary RFO) the further appointment of Internal Auditor was undertaken via a service offered by the Lincolnshire Association of Local Councils (LALC).

**Asset Register** – An electronic copy of the latest asset register was shown to me on a PC screen, but I am unable to find a published version on the Town Council website.

**Health and Safety inspection of assets** – A review of documentation to support such inspections was not part of this audit.

**Internal Controls** - Adequate Internal Control methods are implemented enacted by staff members. and Finance Staff. There is limited evidence that such methods are verified by the Town Council (or delegated Member(s) on its behalf) either regularly or on an ad hoc basis (i.e., no written (signature(s)) records) - Financial Regulations 1.2 and 1.5.

**Investment Strategy** – Council should consider adopting an investment strategy to safeguard public funds - note 8 - Internal Audit Checklist.

**Publication Scheme** – Adopted, revised, and published. It is recommended that associated costs (where applicable) be added to the specific columns within the table – this is in addition to the schedule of charges at the end of the document.

**GDPR Policy / Procedures** – the link to the Town Council data protection policy on its website is broken: [www.sleaford.gov.uk/PDF/Data%20Protection%20Policy.pdf](http://www.sleaford.gov.uk/PDF/Data%20Protection%20Policy.pdf)

The Council should consider and publish an adequate GDPR policy as soon as possible.

Access to personal and identifiable data and information is suitably restricted with access by staff members (by way of individual and recorded (data stamped) log-in procedures) only to computers, documents and software programs.

**Charities / Trust Funds** - The Council does not hold any Trust Funds nor is a Trustee in general terms identified by the Charities Commission; it does however have funds in a separate account in the name of the 'Dickinson Legacy.' The Town Council should review the status of holding such funds and ensure that it meets any obligations (either required, instructed or implied) by the Charities Commission from time to time.

**Accessibility** - Accessibility regulations came into force for public sector bodies on 23<sup>rd</sup> September 2018<sup>2</sup>.

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<sup>2</sup> Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.

Councils must make websites or mobile apps more accessible by making it 'perceivable, operable, understandable and robust'. An updated accessibility statement must be included on the Council website and the accessibility regulations build on existing obligations to people who have a disability under the Equality Act 2010.

- **FINANCE**

**Expenditure / Income** – from a random sample no issues were found, and income and expenditure has been reported to and approved by Council throughout the year. Corresponding invoices and transactions (bank statements) support payments and income is properly recorded and administered with satisfactory reports and balances monitored against the agreed budget and reported to Council quarterly in accordance with financial regulations.

**Bank reconciliations** – these are undertaken on a regular basis by the Admin (finance) officer and reported to Council as necessary. From a random sample there are no areas of concern.

**Direct Debits, Standing Orders, and regular payments** – such payments are approved by the Council or presented (retrospectively) for approval at the next appropriate meeting.

Financial Regulation 6.7 (STC Constitution – Ch.4 – 6.7) dictates "*The Town Clerk has delegated authority to make payment, for certain utility and recurring supplies (e.g., energy, fuel, telephone, water) and any National Non-Domestic Rates, by variable Direct Debit provided that the instructions are signed by two Councillors and any payment are reported to council as made. The approval of the use of delegated powers in this respect shall be renewal by resolution of the Council at least every two years*". – It has been difficult to clarify the last date this practice was undertaken.

**Cheques, Credit and Debit Cards** – No cheques were issued during the 2021/22 period. The Town Council does not have a debit card linked to any of its bank accounts. One Credit Card held in the name of the Admin (Finance) and used in accordance with adopted financial regulations (STC Constitution – Ch.4 – 6.18) this practice is understandably not specifically "restricted to the Town Clerk". It is recommended that this Financial Regulation be updated to cover actual administration practices.

From a random selection of transactions, no areas of concern and are supported with corresponding invoices with subsequent reports presented to Council for approval.

**s.137 Payments** – A review of s.137 payments is being undertaken by the Temporary RFO and virements/corrections to budgets (as necessary) for the 2021/22 period will be duly processed. The Town Council did not exceed its spending limit during this financial period.

**Borrowings** – Not reviewed during this audit

**Precept & Budget** - The Council undertakes a suitable budget process to support its precept demand. This budget is presented to and approved by Council and published, along with the supporting documents. Precept demand was submitted to NKDC and the receipt of funds is recorded in financial records.

**Internal Transfers / Virements** - Precept is credited to the general authorised account. A substantial (varied year by year) amount is transferred to secondary account until required.

Supplementary (varied) amounts from this secondary account to the general account (by internal transfer) are made during any financial year on an ad hoc (as required) basis. Such transactions are made by the Admin (Finance) officer with a copy of the transaction receipt signed by Clerk. Adopted Financial Regulations limit such transfers to £25,000. The precept transfer exceeds this approved figure.

The Council has been made aware of this historic practice, and such transfers between accounts are not specifically noted or approved in signed minutes. It is recommended that this Financial Regulations be updated to cover actual administration practices.

**Earmarked / General reserves** – These were not reviewed during this audit.

**VAT** – VAT for payments/income are recorded correctly using approved Edge software. From the notes of the previous internal audit report (October 2021) it is suggested that the Council charges VAT on services such as Market Stalls and Room Hire.

It is the belief of the National Association of British Market Authorities (NABMA) that **traditional markets** (rents charged) are exempt from VAT (excluding specialist events). The Town Council should seek clarification either from HMRC or NABMA.

**VAT Returns** – VAT Returns are submitted quarterly to HMRC. It is noted that there was an error in submissions for the 2<sup>nd</sup> quarter 2021/22 and an actual figure due from or owed to HMRC is unclear. The temporary RFO is working on rectifying this matter.

- **MANAGEMENT**

**Meetings, Minutes & Agendas** – from sample evidence it appears that Agendas (including summons to attend) are made in a timely manner and within legal timeframes. Agendas and supporting documentation are made available on the website and minutes (or notes) are published within the parameters of best practice.

**Employment – HR, Payroll Policy, and Rates of Pay** – A full review of HR & Payroll processes is excluded from this audit.

From a 'light touch' review of payments and transactions (including PAYE and NI contributions) all appear to have been calculated and correctly administered.

The Council is supported by several long-term staff (some with more than 10 years' experience and dedication) however it is apparent that there is limited or no scope for progression beyond existing pay scales despite the introduction of additional duties and responsibilities for employees due to service demand, service delivery and staff vacancies.

It is understood that some posts have been evaluated during the 2021/22 period, however this may lead to challenge by employees (both at local level (grievance) or higher level (employment tribunal)). It is recommended that all posts be re-evaluated at the earliest opportunity.

- **SERVICES**

**Allotments** - The Council owns and manages 2 sites using approved Edge software for records and invoicing. The annual tenancy period is 1<sup>st</sup> October to 30<sup>th</sup> Sept. A deposit equivalent to the annual rent (variable yearly) is held by the Council – refundable upon surrender to the satisfaction of the Council.

It is unclear if the rent charges or tenancies were reviewed during 2021/22. Review of tenancies and supporting documentation was undertaken by the previous internal auditor in October 2021 it is unclear if recommendations made were considered by the Council.

**Asset Register** – a detailed Asset Register is in place and has been updated during the 2021/22 administration period.

**Burials / Cemetery** - Review of the cemetery and supporting burial documentation was undertaken by the previous internal auditor (October 2021) – it is unclear if recommendations made were considered by the Council.

**Car Parks /Permits** - Review of the car parks and permits were undertaken by the previous internal auditor (October 2021) – it is unclear if recommendations made were considered by the Council.

**Market** – Review of the Sleaford Market was undertaken by the previous internal auditor (October 2021) – it is unclear if recommendations made were considered by the Council.

*Steve Fletcher*

Mr S Fletcher

On behalf of Lincolnshire Association of Local Councils

30<sup>th</sup> June 2022