

TOWN AND PARISH COUNCIL INTERNAL AUDIT TESTING

KESWICK TOWN COUNCIL

INTERNAL AUDIT REPORT

RFO: CATHERINE PARKER

AUDIT: 13th – 14th JUNE 2022

YEAR ENDING: 31ST MARCH 2022

INTERNAL CONTROL	RECOMMENDED TESTING	FINDINGS	RECOMMENDATIONS
PROPER BOOKKEEPING	Is the cashbook maintained and up to date?	The Council operates the SAGE accounting system and transactions are updated on a regular basis – payments are normally made by internet banking which can only be processed by a file transfer from the SAGE system.	
	Is the cashbook arithmetically correct?	Yes	
	Is the cashbook regularly balanced?	The SAGE system is double entry and self-balancing.	
A) STANDING ORDERS AND FINANCIAL REGULATIONS ADOPTED AND APPLIED; AND B) PAYMENTS CONTROLS	Has the council formally adopted standing orders and financial regulations?	Yes – Financial Regulations and Standing Orders were reviewed at the May 2022 meeting.	

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	Has a Responsible financial officer been appointed with specific duties?	Yes – Catherine Parker. A comprehensive job description for her role has been drawn up.	
	Have items or services above the de minimus amount been competitively purchased?	Standing Orders require quotations to be sought for expenditure between £2,000 and £25,000 and 3 estimates to be sought for items between £2,000 and £5,000. Quotations were sought during the year for the Christmas festive lights contract.	
	Are payments in the cashbook supported by invoices, authorised and minuted?	Yes – comprehensive schedules are presented to the Council each month, for both the Town Council and the Trust accounts.	
	Has VAT on payments been identified, recorded and reclaimed?	Yes – reports from SAGE for all accounts are used to complete the online return to HMRC. These include VAT from the Trust accounts so VAT on income is also recorded and paid over.	
	Is s137 expenditure separately recorded and within statutory limits?	Grants totalling £18,327 to 10 organisations are recorded separately in the accounts.	
RISK MANAGEMENT ARRANGEMENTS	Does a review of the minutes identify any unusual financial activity?	No unusual activity seen.	

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	Do minutes record the council carrying out an annual risk assessment?	<p>A comprehensive Risk Management Assessment was prepared and adopted at the Town Council meeting on 17th February 2022.</p> <p>Separate inspections of play and other equipment are undertaken by Zurich and RoSPA but are the responsibility of the two Trusts. More regular inspection sheets are in place for use by staff for MUGA, play equipment, vehicles and general open spaces.</p>	
	Is insurance cover appropriate and adequate?	Comprehensive policy with Zurich for the year ended 13 th May 2022, the final year of a 3 year agreement, at premium cost of £14,052. This includes property of the two Trusts. Cover includes Public Liability £15m, Employers liability £10m, Fidelity Guarantee £1m, Hirers' Liability £2m, Libel & Slander £250k, Money £250k, Legal Expenses £200k. Also cover for vehicles that are recharged to Hope Park Trust.	
	Are internal financial controls documented and regularly reviewed?	These are detailed in Financial Regulations. In addition copy bank reconciliations are sent to the Clerk and a nominated Councillor each month. The annual review of the Effectiveness of Internal Financial Controls was reported to the Council on 17 th February 2022. However, the Council continues to use a credit card in the name of the previous clerk.	Barclaycard be contacted and requested to cancel the current credit card and issue a new one in the name of a current employee.

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BUDGETARY CONTROLS	Has the council prepared an annual budget in support of its precept?	Yes – a detailed budget for 2021/22 was considered at the 17 th December 2020 meeting and a precept of £273,697 was set – an increase of 1.1% on 2020/21. In December 2021 it was agreed to set a precept of £307,054 for 2022/23, an increase of 12.1%. This was primarily to support an increased grant to Fitz Park.	
	Is actual expenditure against the budget regularly reported to the council?	Yes – reports prepared and presented to Council quarterly at April, July, October and January meetings.	
	Are there any significant unexplained variances from budget?	No significant variances. Some budgeted activities, such as Keswick events, did not take place due to the pandemic.	
	Are reserves adequate or excessive?	<p>The Town Council has year end reserves that are 90% of its annual expenditure. The following earmarked reserves and funds totalling £33,085 have been agreed:</p> <ul style="list-style-type: none"> • Local Housing £6,200 • Elections £6,000 • Office & Council Chamber £5,000 • Equipment £2,891 • Professional advice £3,594 • CCTV - PCC £6,400 • War memorial £3,000 	

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		The Town Council holds a significant amount balance in its current account – it has not fallen below £250,000 during the year - and may benefit from reviewing its investment arrangements, in line with paragraph 4.20A of the JPAG Practitioners Guide.	The Council consider investing a proportion of its balances in an interest bearing account. Note that Barclays Bank offers fixed term Treasury Deposit accounts. Alternatively an investment in the Public Sector Deposit Fund operated by the CCLA could be considered.
INCOME CONTROLS	Is income properly recorded and promptly banked?	<p>Yes – at the May 2021 meeting the Schedule of Charges was agreed with no changes except for the hire of the Council Chamber which was increased.</p> <p>The Council also receives rent from Allerdale Borough Council for Walker Park but there is only an informal agreement in place for this. There are plans to produce a formal lease but this may be affected by Local Government Reorganisation..</p>	
	Does the precept recorded agree to the Council Tax authority's notification?	Yes – the precept was received in two instalments in line with notifications received from Allerdale Borough Council and the Statement of Precept.	
	Are security controls over cash and near-cash adequate and effective?	Yes – very little cash income, but the Council has a safe and most income is banked on receipt.	
PETTY CASH PROCEDURES	Is all petty cash spent recorded and supported by VAT invoices/receipts?	Yes	

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	Is petty cash expenditure reported to each council meeting?	Yes - reimbursements made by cheque and included on schedules approved by Council.	
	Is petty cash reimbursement carried out regularly?	Yes	
PAYROLL CONTROLS	Do all employees have contracts of employment with clear terms and conditions?	Yes	
	Do salaries paid agree with those approved by the council?	Yes. Any changes are communicated to the payroll provider.	
	Are other payments to employees reasonable and approved by the council?	No other payments to staff seen with the exception of expenses reimbursements.	
	Have PAYE/NIC been properly operated by the council as an employer?	Payroll operated by Cumbria Payroll Services Ltd.	

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ASSET CONTROLS	Does the council maintain a register of all material assets owned or in its care?	<p>Yes – on a spreadsheet. This was considered at the April 2022 meeting with a total value at 31st March 2022 of £68,864. This is mainly office equipment and chains of office as all play equipment as property in Parks are covered by Trust accounts.</p> <p>Chains of office covered in a members home provided they take reasonable precautions and inform their own insurers. (email from Zurich dated 15-02-2018 seen).</p>	
	Are the assets and Investments registers up to date?	Yes – includes the addition of IT equipment and office furniture during the year and the disposal of various items of office equipment.	
	Do asset insurance valuations agree with those in the asset register?	Yes - includes CCTV cameras purchased in the previous year.	
BANK RECONCILIATION	Is there a bank reconciliation for each account?	Yes.	
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes – on receipt of bank statements.	
	Are there any unexplained balancing entries in any reconciliation?	No.	

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	Is the value of investments held summarised on the reconciliation?	Yes – with the exception of £100 invested in CKP Railways Bond in Nov 2000.	
YEAR-END PROCEDURES	Are year end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Accounts are produced on an Income and Expenditure basis.	
	Do accounts agree with the cashbook?	Yes – reconciliation seen.	
	Is there an audit trail from underlying financial records to the accounts?	Yes – clear working papers prepared by a local accountant seen.	
	Where appropriate, have debtors and creditors been properly recorded?	Yes – details seen.	
OTHER ISSUES	Is the Council registered with the Information Commissioner?	Yes – registration number Z9451946 expiring 25 th April 2023.	
	What arrangements does the Council have for the back up of computer files?	Cloud backup with One Drive and Microsoft 365.	

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	<p>Does the Council have responsibility for any Trust Funds? If so, are they independently examined?</p>	<p>The Town Councillors are trustees of the Townfield, Hope Park and Fitz Park Charitable Trusts (registered charity numbers 520295, 503465 and 520327 respectively).</p> <p>The trust accounts are administered by the Council and maintained on the SAGE system and a considerable number of recharges for payroll and administration are made between the various accounts. In addition the Council recovers VAT on behalf of expenditure incurred by the Trusts.</p> <p>Both of the park accounts are independently examined by Frances Clark ACA of Keswick Accountants and the accounts for the year ended 31st March 2021 were reviewed.</p>	