

TOWN AND PARISH COUNCIL INTERNAL AUDIT TESTING

KESWICK TOWN COUNCIL

INTERNAL AUDIT REPORT

RFO: CATHERINE PARKER

AUDIT: 12th – 13th JUNE 2023

YEAR ENDING: 31ST MARCH 2023

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 April and May 2022 meetings respectively.	

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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.	
	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 £18,000 to 12 organisations are recorded separately in the accounts. In addition a payment of £3000 was made to the Keswick Community Housing Trust from the local housing earmarked reserve.	
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 February 2023 meeting of the Town Council.</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 2024 at a premium cost of £13,462. 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 at the February 2023 meeting.	

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BUDGETARY CONTROLS	Has the council prepared an annual budget in support of its precept?	Yes – a detailed budget for 2023/24 was considered at the 15 th December 2022 meeting and a precept of £328,245 was set – an increase of 7% on 2022/23. (An additional £20,000 was added to the 2023/24 precept in case the new Cumberland Council did not approve a grant for that amount that had previously been received from Allerdale Borough Council but this has since been removed from the precept).	
	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 £23,456 have been agreed:</p> <ul style="list-style-type: none"> • Local Housing £3,200 • Office & Council Chamber £4,371 • Equipment £2,891 • Professional advice £3,594 • CCTV - PCC £6,400 • War memorial £3,000 	

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		<p>In addition reserves are earmarked for the War Memorial Fund (£859) and the Events Fund (£38,255).</p> <p>The Town Council holds a significant amount balance in its current account – it has not fallen below £230,000 during the year. However, it is in the process of transferring funds to interest bearing accounts with the Unity Bank and CCLA.</p>	
INCOME CONTROLS	Is income properly recorded and promptly banked?	<p>Yes – at the May 2022 meeting the Schedule of Charges was agreed with no changes. Some photocopying charges were increased with effect from 1st February 2023 following a discussion at eh December 2022 meeting.</p> <p>The Council also received rent from Allerdale Borough Council for Walker Park but there is only an informal agreement in place for this. There were plans to produce a formal lease but this will now have to be taken up with the Cumberland Council.</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.	

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PETTY CASH PROCEDURES	Is all petty cash spent recorded and supported by VAT invoices/receipts?	Yes	
	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.	

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	Have PAYE/NIC been properly operated by the council as an employer?	Payroll operated during the year by Cumbria Payroll Services Ltd.	
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 2023 meeting with a total value at 31st March 2023 of £67,643. This is mainly office equipment, CCTV cameras 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 a new telephone system during the year and the disposal of the old telephone system.	
	Do asset insurance valuations agree with those in the asset register?	Yes.	
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.	

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	Are there any unexplained balancing entries in any reconciliation?	No.	
	Is the value of investments held summarised on the reconciliation?	Yes.	
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 by Frances Clark ACA of Keswick Accountants.	
	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 2024.	

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	What arrangements does the Council have for the back up of computer files?	Cloud backup with One Drive and Microsoft 365.	
	Does the Council have responsibility for any Trust Funds? If so, are they independently examined?	<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 2022 were reviewed.</p>	