

Public Sector Audit

Broughton Town Council

Internal Audit Report for the year ended 31 March 2026

Public Sector Audit

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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 2026. 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 |
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| 1 | Have appropriate books of account been properly maintained throughout the year? | <p><u>Appropriate accounting records</u></p> <p>Findings</p> <p>The accounting system has been well maintained on a computerised software system (RBS) designed for local councils. It is balanced monthly up to the end of March 2026 as evidenced by bank reconciliations. Monthly bank reconciliations are produced by the accounting system for the council's two HSBC Accounts and the CCLA Public Sector Deposit Fund.</p> <p>The accounting system is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</p> <p>The donation from the Ex-Service Association continues to be ringfenced to be used for the annual Remembrance Day wreath.</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>Findings</p> <p>The council's Standing Orders and Financial Regulations were reviewed and approved at the Annual Town Council meeting held on the 19th May 2025. Both Standing Orders and Financial Regulations reflect the latest NALC Models.</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>Findings</p> <p>I have tested a sample of payments from April 2025 to March 2026.</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 and all invoices are authorised by two</p> |

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| | | <p>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. The Clerk has confirmed that no formal tenders have been required during the current financial year and a contract register has been started and will be completed and maintained in the future. This is a useful document that identifies any contracts the council may have, to whom each is let, the start date, duration and minute reference when any revised/renewed contracts are approved.</p> <p>I have tested to 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 re-confirmed its eligibility to use the Power of Competence at the Annual Meeting held on the 19th May 2025. A nominal ledger code (4600/170) for general grants paid has been established in the accounting system. 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. To the date of the audit £18,968 has been coded to this statutory power. The expenditure is appropriate for this statutory power and well within the annual statutory limit.</p> <p>The Clerk has confirmed that no cheques have been issued during the year.</p> |
| 4 | Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments? | <p><u>Assessment of significant risks</u></p> <p>Findings</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, dated September 2025, has been received and all category 1 issues have been rectified.</p> |

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| <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p> | <p>Playsafety has also provided inspection checklists for the play parks and the skatepark. These are used by the Handyman to carry out weekly inspections of these areas. The Churchyard and Cemetery are also regularly inspected using detailed inspection sheets drawn up by the Clerk. Any issues identified are recorded on the checklists and the date of completion is also recorded. The council's allotments are also inspected quarterly.</p> <p>The Council's Health and Safety Policy was also reviewed and approved at the Annual Town Council meeting held on the 19th May 2025.</p> <p>Following the Clerk's review of the Risk Assessment for the Phil Grundy Centre, checklists have continued to be used for the Centre for fire extinguishers, emergency lighting, PAT testing and the fire alarm.</p> <ul style="list-style-type: none"> ➤ Staff members also undertake training appropriate to the requirements of their roles. These include First Aid and Play Equipment training, Fire Marshalling, Manual Handling, Working at Heights, COSHH, Health & Safety at Work and Data Protection essentials. <p>The External Auditor previously raised the issue of the council not having a formal Risk Management Policy. The Clerk has identified an appropriate policy and it was reviewed and approved by council in February 2026.</p> <p>Quotations have been received in respect of appointing a Health & Safety Responsible person to provide professional H & S and HR advice.</p> <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> <p>The Clerk maintains 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> |
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| <p>5</p> | <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>Findings</p> <p>A detailed budget, which identified the council's income and expenditure cost centres, was prepared for 2025/26 and was approved by Full Council on 27th January 2025. A Precept requirement of £150,000.00 for 2025/26 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. 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 2026 totalled £150,035. This comprised earmarked reserves of £45,000 for the cemetery extension, £75,235 remaining for the Phil Grundy Sports and Community Centre building project, and £14,735 remaining of the Ex-Servicemen's ringfenced reserve for the annual purchase of the Remembrance Day wreath. The remainder represents a general working balance of £18,065 (after adjusting for a non-required reserve in respect of the Church wall). The general balance represents 11.6% of the council's current Precept requirement and is considered to be very low for a council the size of Broughton Town Council. The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● As reported in 2024/25, when setting future years' Precepts the council should take into account the Government's guidance to Local Councils (sections 5.33 to 5.37 of the 2025 Governance and Accountability Guide) regarding the minimum level of general reserves to be held by a council the size of Broughton Town Council. The general reserve of a council comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances, and sufficient contingency funds should be held to mitigate against the possibility of such events occurring. |
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| 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>Findings</p> <p>All income tested has been reviewed to ensure that:</p> <ul style="list-style-type: none"> ➤ all income due to the council has been received, ➤ income received is in accordance with approved charges, ➤ income is accurately accounted for and correctly coded in the council's accounting system, ➤ income is banked intact, without undue delay. <p>The council's Precept and NLC Grant for 2025/26 is £150,000 and £1,865.00 respectively, which agrees to the two instalments of Precept of £75,000.00 received on 23/04/25 and 25/07/25 and the NLC Council Tax grant of £1,865.00 also received on 23/04/25.</p> <p>I have checked and agreed a sample of allotment income received by the council to the Allotment Register and relevant Scales of Charges.</p> <p>I have also agreed a sample of Cemetery income and Sports Centre and Recreational Field income to the latest Scales of Charges.</p> <ul style="list-style-type: none"> ➤ It is noted that the Firework Display Working Group notes to the meetings do not always identify the charges that have been approved. I am required by the External Auditor to confirm that "<i>Expected income was fully received, based on correct prices</i>". To enable me to do this all-agreed charges should be confirmed in the Working Group's minutes. ➤ The Sports Centre's Scale of Charges differentiates between profit making and non-profit making organisations. The council has not, however, identified how this distinction is to be determined by the Clerk and Deputy Clerk when deciding which charge to make. |
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| | | <p>The council has also received income in respect of grants, wayleaves, a VAT refund, an electricity refund, grass cutting verges and PROW, Bonfire night, investment interest, cash back on a purchase and miscellaneous. I have agreed income received to current authorised charges, invoices, supporting documentation and the accounting system.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● To enable me to confirm to the External Auditor that " Expected income was fully received, based on correct prices" all agreed charges should be confirmed in the Working Group's minutes. ● For transparency and consistency between users the council should determine the criteria and information required from organisations to enable it to correctly charge either the profit making or the non-profit making charge. The Clerk has confirmed that a methodology to determine such future charges will be agreed when the new booking system has been fully introduced. |
| 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>Findings</p> <p>The Town Council has a petty cash float which is reimbursed as required. Cash is withdrawn from the Post Office 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 to March 2026 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.</p> |

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| 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>Has PAYE and NI been correctly deducted and paid to HMRC?</p> | <p><u>Adequate payroll controls</u></p> <p>Findings</p> <p>All employees received Contracts of Employment which contain clear terms and conditions. One employee's contract was not signed, however, as he left after only one day's employment and did not sign the contract before he left.</p> <p>I have agreed all gross pay figures on the payslips from April 2025 to March 2026 to the contracts of employment, the 2025/26 NJC pay scales, including back pay from the 1st April 2025, and study time for one member of staff.</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> <p>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% employers pension contribution that Broughton Town Council is paying is correct for 2025/26.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should notify its payroll provider of the notified change to the employer's percentage contribution to 14.8% due from the 1st April 2026. |
| 9 | <p>Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?</p> | <p><u>Appropriate recording of assets</u></p> <p>Findings</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 the Annual Council meeting on the 19th May 2025 for review and approval. For the sample checked the Clerk has correctly added new purchases during to register.</p> |

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| 10 | <p>Were bank reconciliations performed on a regular and timely basis?</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><u>Adequate bank reconciliations</u></p> <p>Findings</p> <p>Bank reconciliation statements for the council's two HSBC accounts, CCLA account and the petty cash account are produced monthly by the accounting system. These are provided to each council meeting together with the 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>I have agreed all reconciliations to the respective bank statements and month-end RBS cash book balances. A review of the reconciliations confirms that there are no unusual or balancing entries.</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>Findings</p> <p>The year-end statements have been prepared on the correct accounting basis (Income and Expenditure) and, therefore, debtors and creditors have been included.</p> <p>The statements agree with the cashbook and there is an audit trail from underlying financial records to the final accounts.</p> <p>The total of the Asset Register as at 31/03/26 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 2025/26 Interim Internal Audit Report was presented to and approved at the Full Council meeting held on the 23rd February 2026. It is minuted that the Clerk will undertake any actions required.</p> |
| 12 | <p>If the council certified itself as exempt from an External Audit Limited Assurance Review last year,</p> | <p><u>Exemption Certificate</u></p> <p>Findings</p> <p>The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p> |

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| | has it met the exemption criteria and correctly declared itself exempt? | |
| 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>Findings</p> <p>A review of the council's website has confirmed that, during the summer of 2025, 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>Findings</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 complied with laws, regulations & proper practices relating to digital and data compliance? | <p><u>Digital and Data Compliance</u></p> <p>Findings</p> <p>The council's email address and website are compliant - i.e., .gov.uk, .org.uk or another council owned suffix.</p> <p>The council's website should comply with the accessibility guidelines in accordance with WCAG 2.2AA.</p> <ul style="list-style-type: none"> ➤ It has an Accessibility Statement. ➤ It contains some Transparency Code information but it is not provided in a logical and accessible section as required by the WCAG guidelines. <p>The council has an IT Policy.</p> <ul style="list-style-type: none"> ➤ It was formally adopted by the council on the 28th July 2025. |

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| | | <p>It applies to all individuals who use the council's IT resources, including computers, networks, software, devices and data resources including access to .gov.uk email and any associated digital storage.</p> <p>The council has a Data Protection Policy recognising its obligations under Data Protection law. It was adopted in 25 October 2021.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should review its website to identify any shortcomings in the information published in respect of the 2015 Transparency Code. ● Transparency Code information should be provided on the council's website in a logical and accessible section. |
| 16 | Has the council met its responsibilities as a Trustee? | <p><u>Trustee responsibilities</u></p> <p>Findings</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></p> <p>Broughton Village Hall, High Street, Broughton, Brigg, North Lincolnshire, DN20 0JR.</p> <p><u>Email</u></p> <p>broughton_villagehall@outlook.com</p> <p><u>Website</u></p> <p>broughtontowncouncil.co.uk</p> <p><u>Telephone</u></p> <p>01652658171</p> |

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| | | <p><u>Last Recorded Financial Year:</u> Financial year ending 31 July 2025</p> <p><u>Last Recorded Income:</u> £40,871</p> <p><u>Last Recorded Expenditure:</u> £33,504</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> <p>Formal meetings of the Broughton Village Hall Trustees have continued to be held quarterly and separate minutes of these meetings have correctly been maintained.</p> <p>On the 26th January the Town Council resolved to take on the responsibility of running the Village Hall.</p> <ul style="list-style-type: none"> ➤ The Charity Commission confirms that the Town Council is the sole Trustee of the Village Hall. |
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| | | <p>➤ Monthly meetings of the Village Hall Working Group are now being held and reported to the Town Council in the form of an update report.</p> <p>At the time of the audit the Charity Commission website confirmed that financial reporting was up to date (i.e. up to 31st July 2025).</p> |
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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 and advisory note 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 2025.

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

20th April 2026

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