



REPORT FOR DECISION

Item No:- FC24/07

Committee:-	Finance and Governance Committee
Date:-	19 <sup>th</sup> June 2024
Author:-	Martin Hammond, Clerk
Report Title:-	Final Internal Audit Report for 2023-34 year
Wards Affected:-	All

**1. Purpose of Report**

To submit the internal audit report conducted at year end for the last financial year.

**2. Recommendations**

- a) That the internal audit report be noted and
- b) that Council be asked to agree new financial regulations which incorporate
  - a. the bad debts policy set out below
  - b. a more detailed policy on asset management

**3. Information**

3.1. Kate Houlihan conducted her end of year audit of the Council's accounts and processes in April/May and submitted her report on 5<sup>th</sup> May 2024. There are two recommendations:-

- a) The Council should develop a policy to manage bad debts – section 4 below proposes a new policy which Council can approve at its next meeting.
- b) The Council should refine its policy on the management of assets and of the asset register, in line with guidance in the Practitioners Guide 2024 and Revised Model Financial Regulations published by the National Association of Local Councils in May 2024. This is dealt with in section 5 below.

## **4. Proposed Bad Debts Policy**

4.1. This policy addresses how bad debts are dealt with where they arise.

The Council's income largely arises from:-

- Charges for market stalls and pitches at the general market and as part of events
- Rental income for the occupation of its allotment land
- Lottery receipts
- Recharges to the Kettering Charities for administrative work done on their behalf.

Bad debts may arise from time to time. The possibility of them doing so are minimised by

- In the case of markets, by the practice of charging all casual booking of market stalls and pitches in advance, with only long standing regular traders paying in arrears
- In the case of lottery income, the contractual agreement with Affinity Lottery to make a weekly payment of all lottery income to the Council

Where a bad debt does arise, the Council will seek to recover the debt through its normal invoicing and reminder process.

If the debt has not been paid within twelve months of it arising,

- Where the debt exceeds £500, the Council will employ bailiffs to seek to recover the debt, prior to any write off being recommended
- Where the debt exceeds £100, Council's approval will be sought to write a debt off
- Where the debt is £100 or less, the clerk will have delegated power to write it off, subject to an annual report being made on debts which have been written off in this way.

4.2. Council will need to approve this policy and amend financial regulations, which currently reserves all bad debt write offs to full Council.

## **5. Asset Management**

5.1. The Council's asset register currently details all those items which have been acquired, transferred to it or purchased, regardless of value, where the asset has an expected life of 1 year or more.

5.2. The Local Councils Practitioners Guide 2024 and the Revised Model Financial Regulations published by the National Association of Local Councils in May 2024, provide that the clerk shall keep a register of assets showing what is owned, each item's value, and its relevant details, together with how and where each item is retained and that the register should be verified annually. This is already the case and the register is verified more regularly than this. The auditor suggests that the Council should have a formal policy to reflect its practice – the best way of doing that is to include an expansion of the relevant part of financial regulations.

5.3. The register currently lists all non consumable assets irrespective of value – it is not uncommon for registers to have a de minimus level for an entry to be included, but that then means a separate inventory has to be kept for all items below the agreed level. On balance, a single register with all assets on it is easier to manage given the Council's scale.

5.4. The financial regulations were last reviewed and approved in March 2022. It is suggested that the opportunity to review them again and update them, in the light of the new model regulations having just been published, would also be timely, so the recommendation is that the next Council meeting is provided with proposed changes, including the two elements above.

## **6. Consultation and Engagement**

None

## **7. Finance, Legal and Resource Implications**

7.1. To date the Council has not had to write of any debts.

7.2. The internal audit service is procured through NCALC at a discounted rate compared to the open market and costs £1050.

## **8. Climate change implications**

None directly

## **9. Policy Implications**

The Council's policy is make best use of its resources.

### Background Papers

Internal audit report for 23-24

NALC Practitioners guide and new Model Financial Regulations

