



Hedon Town Council

Internal Audit Report for the year ended 31 March 2024

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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 2024. 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.

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

The findings of the audit are summarised below

Test	Findings and Recommendations
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 is maintained on a computerised software package by Rialtas Business Solutions (RBS). It is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</p> <p>The accounting records presented to audit were reconciled and complete up to the 31st March 2024.</p> <p>The accounting system has been well maintained and formal bank reconciliations for the council's Current Account, High Interest Account and Petty Cash Account have been undertaken monthly.</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 revised and updated Standing Orders were reviewed and approved at the Finance and General Purposes (F & GP) Committee held on the 25th January 2024. They are the latest NALC Models and include the updated procurement thresholds announced by the Government from 1st January 2024.</p>
3 Are payment controls effective and VAT properly accounted for?	<p><u>Adequate payment controls</u></p> <p>Findings</p> <p>I have tested a sample of payments from April 2023 to March 2024.</p> <p>➤ The payments have been reviewed for completeness, accuracy, correct year of account, authorisation by two council Members, reporting to council, classification within the council's accounts and compliance with Financial Regulations. All invoices tested have been correctly reported to council for authorisation and accurately recorded in the council's accounting system.</p>

	<p>Invoices paid online via the BACS system are authorised by two Council Members on the invoices and monthly finance schedules.</p> <p>I have tested and confirmed that VAT has been identified and correctly recorded in the accounting system for inclusion in the VAT reclaim from HMRC.</p> <p>A separate code has correctly been established for s.137 expenditure and during the year £75.00 has been coded to this statutory power. The expenditure is appropriate for this power and is well within the annual statutory power.</p> <p>During the year four cheques have been issued and two were cancelled. Two of the stubs confirm that the 2-signature rule has been followed by both signatories initialling the stub to confirm agreement with the cheque and the documentation provided at the time of signing. The stubs for the other two cheques have not, however, been initialised by the signatories.</p> <p>On 26 October 2023, the Levelling-up and Regeneration Act (the 2023 Act) received Royal Assent. Section 82 of the 2023 Act amends the Local Government Act 1894 (the 1894 Act) by inserting a new section 19A into the 1894 Act. Section 19A came into force on 26 December 2023.</p> <ul style="list-style-type: none"> ➤ The government's view is that its amendment, in the form of section 19A, clarifies that the 1894 Act does not affect the discretionary powers of parish councils in England to fund church repairs or improvements or property held for an ecclesiastical charity. ➤ Councils will, therefore, need to consider requests in respect of church property or property held for an ecclesiastical charity as they would any other funding request. Funding powers, further to section 19A of the 1894 Act coming into force, are discretionary. Town and Parish Councils are not under any additional duties as a result of the 2023 Act and the insertion of section 19A to the 1894 Act. ➤ NALC's previous view on this subject (as set out in Legal Briefing L01-18 – financial assistance to the church) was that only explicit local council powers could override the prohibition in the 1894 Act to fund churches. NALC is now, therefore, withdrawing Legal Briefing L01-18, further to the Government's amendment as per section 19A which came into force on 26 December 2023. NALC has
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	<p>updated and reissued Legal Topic Note 31E to remove references to the prohibition, which will no longer apply since section 19A came into force. A further advice note, LO2-23, was issued by NALC on the 20th December 2023, which provides additional clarification on this subject.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● All cheque stubs should be initialised by both signatories to confirm agreement with the cheque and the documentation provided at the time of signing. ● The council should take note of the change in the legal position in relation to the funding of church repairs, or improvements or property held for an ecclesiastical charity, since the introduction of the Levelling-up and Regeneration Act 2023.
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p> <p>Assessment of significant risks</p> <p>Findings</p> <p>The council maintains a set of Risk Assessments which are subject to a rolling review by F & GP Committee. The F&GP meeting held on the 28th March 2024 noted the rolling review and the full Risk Assessment Report was approved. As part of the rolling review, the F & GP Committee review three Risk Assessments at each meeting, with a full review once a year.</p> <p>A Health & Safety Review Working Group was established during 2020; the Council's Health & Safety Policy was reviewed and updated and approved by the F & GP Committee held on the 26th January 2023.</p> <p>The council's Fire Risk Assessment was carried out on the 5th May 2022 and remedial works have been undertaken. In addition, the council's fire extinguishers, emergency lighting and fire alarm have been professionally tested and PAT testing and an Electrical Condition Inspection has been undertaken.</p> <p>The Clerk has confirmed that Street Marshalls employed by the council for various events have been issued with detailed Risk Assessments, which have been signed by the employees and returned to the council.</p>

	<p>The council carries out regular inspections of the play area and skate park which are recorded on weekly inspection sheets. The inspection sheets are signed off by the Assistant Town Clerk and filed in the Town Hall office. The sheets record any issues arising and the subsequent corrective action taken to remedy any faults found.</p> <p>The council also employs the Play Inspection Company to undertake an annual safety inspection of the play area and skate park; in addition, quarterly inspections are undertaken by Streetscape, a professional play equipment company.</p> <p>It is noted that the Clerk is continuing to search for a professional Health and Safety company that can advise the council on Health & Safety and Risk Assessment matters on an ongoing basis.</p> <p>At the F&GP Committee on the 22nd June 2023 it was agreed that the council would open an account with CCLA in order to separate funds to keep below the FSCS protection limit. This was opened in January 2024 and separate bank reconciliations are being produced for this short-term investment by the council's accounting system.</p> <p>The Clerk has a document which identifies the key financial tasks needing to be undertaken on a weekly, monthly and quarterly basis. The document is updated by the Clerk as and when necessary. Such documentation provides essential information in respect of the routine financial and governance processes to be undertaken by the council in the event of unexpected staff absences.</p> <p>I have reviewed the council's current insurance policy and confirm that the indemnity limits are adequate.</p> <p>I have reviewed the council's back up arrangements for its electronic records and the Clerk has confirmed that all electronic data is backed up two weekly onto an external hard drive which is stored in a fireproof safe. The council's computers and the external hard drive are password protected. The Clerk is considering the use of</p>
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	cloud-based systems for the backup of its electronic data. This would simplify the backing up of all electronic data and facilitate homeworking arrangements.
	<p>Recommendations</p> <ul style="list-style-type: none"> ● The council's Health & Safety Policy, and any other policies relating to council risks, should be reviewed for continuing appropriateness during the current financial year and annually thereafter. ● The specific Risk Assessments, covering the types of work (and machinery used) that both full time staff and seasonal workers perform, should continue to be reviewed for continuing appropriateness and issued to relevant staff, including manual, seasonal and temporary staff. They should be signed by the staff members and returned to the Town Council's offices. All such Risk Assessments should be then subject to a rolling review to ensure that they are appropriate and current. ● In view of the increasing complexity of Health and Safety legislation, and the council's insurer's requirements in respect of risk management, the council should continue to search for a professional company to advise on Health & Safety and Risk Assessment policies and procedures.
5	<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>The Clerk prepared a detailed budget for setting the Precept for 2023/24, and a Precept of £223,200 was approved by Full Council on 19th January 2023.</p> <p>Actual income and expenditure against budget is monitored and reported to F&GP monthly.</p> <p>As at the 1st April 2024 the council's balances totalled £173,769. This comprised earmarked reserves of £49,546 for specific projects and liabilities and a general reserve of £124,223. The general reserve represents 48% of the current year's Precept and is considered to be prudent for the size of the council and its potential liabilities.</p>

<p>6</p> <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>The council's Precept for 2023/24 is £223,200 which agrees to the two instalments of £111,600 received from ERYC on 28/04/23 and 29/09/23.</p> <p>The council maintains two scales of charges: one in respect of the Cemetery and another covering Town Hall lettings, Allotments, leases, ground rent and wayleaves and Humberside Police broadband charge. Cemetery charges were last reviewed and agreed at the F&GP Committee held on the 26th May 2022. The scale of charges for the other council activities were reviewed and approved on the 25th May 2023. F & GP Committee, on the 28th March 2024, agreed the Events Working Groups' recommendations in respect of the Scruffs dog show, Hedon calendar and Hedfest. The Committee also agreed the 2024 charges for hanging baskets, Town Hall lettings, Horsefield lease, Wayleaves and Alexandra Hall ground rent. It was agreed at F&GP in April 2024 to leave Cemetery charges unchanged for 2024/25.</p> <p>In addition to the council's charges for the services it provides, the council also received a VAT refund, an ERYC Coronation grant, bank interest, calendar sales and calendar advertising donations, hanging baskets, market rent, Christmas stall fees, Christmas trees, Father Christmas visits, Scruffs dog show stalls, Hedfest stalls donations, Mayor's Charity, bank interest and miscellaneous.</p> <p>I have checked a sample of cemetery income to the list of charges to verify that the correct charges have been raised in respect of resident and non-resident fees. All fees checked have been correctly charged.</p> <p>Allotment rent received to the date of the audit has been reviewed and is in accordance with the approved scale of charges.</p>
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<p>7</p> <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 maintains a petty cash float of approximately £100. The float is reconciled periodically by the Assistant Clerk and the accounting system automatically produces a monthly petty cash account reconciliation.</p> <p>I have checked that expenditure is appropriate and has been correctly identified, recorded and reported to council. For the sample checked, the VAT element of the invoices/receipts has been correctly recorded in the accounting system for the purpose of reclaim from HMRC.</p> <p>All petty cash expenditure is reported to council together with all other council expenditure.</p> <p>It is noted that the current balance has reduced to £33.44 and, owing to the difficulty of cashing a cheque to reimburse the float, the petty cash could be reduced to nil during the current financial year. As cash will also be required for Hedfest in July, a methodology to obtain cash for sundry items and the payment of artists will be required.</p> <p>Recommendation</p> <ul style="list-style-type: none"> As the council's bank does not have a branch in the town, the council should identify a methodology to obtain cash for petty cash and the Hedfest as soon as possible.
<p>8</p> <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><u>Adequate payroll controls</u></p> <p>Findings</p> <p>All employees have received a formal contract of employment, or a Letter of Understanding. All formal contracts of employment have been signed by the council's current employees and the council. All contracts contain clear terms and conditions of employment.</p> <p>I have agreed all salaries paid from April 2023 to March 2024 to the original contracts of employment and Letters of Understanding, any subsequent authorised changes to the terms and conditions of contracts, time</p>

	Has PAYE and NI been correctly deducted and paid to HMRC?	<p>sheets and the current 2023/24 NJC pay scales. A second officer check on payroll calculations continues to be undertaken and is evidenced on each payslip. Officer overtime worked is recorded on the payslips, and the finance schedule is authorised by the Chairman and Deputy Chairman.</p> <p>For the sample checked, the hours paid to employees agree to supporting timesheets.</p> <p>The External Auditor requires me to check that the correct employer's pension percentage contribution has been applied. I have checked the East Riding Pension Fund portal for Hedon Town Council which confirms that the 19.3% being applied by the council for 2023/24 is correct.</p>
9	Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?	<p><u>Appropriate recording of assets</u></p> <p>Findings</p> <p>The council's Asset Register is maintained on spread sheets in the recommended format and is updated annually. It was presented to the F & GP Committee on the 28th March 2024 for review and approval.</p> <p>The council has now opened an Investment Account with the CCLA and noted the value of this short-term deposit on the Asset and Investment Register. The value of the investment has correctly not been included in the total asset value at the 31st March 2024, and hence not included in box 9, fixed assets, on the year-end Accounting Statement.</p> <p>Purchases during the year have been added to the register using the correct valuation method of net cost excluding VAT.</p>
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><u>Adequate bank reconciliations</u></p> <p>Findings</p> <p>Monthly bank reconciliations are automatically produced by the council's accounting system for each of the council's bank accounts, the CCLA investment account and the internal petty cash imprest.</p>

	<p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p>In accordance with best practice and as part of the council's internal financial control processes, the monthly bank reconciliations and the respective month-end balances on the bank statements and the CCLA Investment Account Statement have been initialised by the Chairman to signify that both are in agreement.</p> <p>A review of the reconciliations confirms that they contain no unusual or balancing entries.</p> <p>The Mayor also has a charity account within RBS for the receipt of income/donations etc. and the payment to the Mayor's chosen charity(s). No separate bank account is held for this purpose and, for ease of identification, all income and expenditure is recorded within specific accounting nominal ledger codes to facilitate the accurate disbursement of funds at the end of the civic year.</p> <p>Recommendation</p> <ul style="list-style-type: none"> As non-council income and expenditure should not be included in the year-end AGAR the council should setup a Creditors Control Account (normally a number in the 500 range) and code Mayor's Charity income and expenditure to it. By doing this the council is not including non-council monies within the council's Income/Expenditure codes. At year end, if there is a balance in this code, it will show on the AGAR as part of the difference between Boxes 7 and 8, i.e. all Debtors and Creditors.
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><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 cash book and there is an audit trail from underlying financial records to the year-end statements.</p> <p>The total value of assets on the Asset Register at the 31st March 2024 agrees to box 9, fixed assets, on the Accounting Statement on the AGAR.</p>

	Has the previous Internal Audit Report been submitted to council and actioned as necessary?	The Interim Internal Audit Report in respect of 2022/23 was presented to and noted at the F & GP Committee meeting held on the 23rd November 2023.
12	If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?	<u>Exemption Certificate</u> Findings The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.
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?	<u>Exercise of Public Rights</u> Findings I have confirmed by a review of the council's website that, during the summer of 2023, the council correctly provided the opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations. it is noted, however, that the pro-forma, recommended by the External Auditor, was not used. Recommendation ● The pro-forma recommended by the External Auditor should be used for the publication of the Notice of Public Rights.
14	Did the council comply with the publication requirements for the previous year's AGAR?	<u>Publication Requirements</u> Findings I have reviewed the council's website and confirmed that the council published the correct documents as required by the Accounts and Audit Regulations 2015.
15	Has the council met its responsibilities as a Trustee?	<u>Trustee responsibilities</u> Findings During the year the council assumed joint responsibility for the parcel of land in Elsiegate.

	<p>The council is the managing Trustee of the Trust which owns the land and is reviewing the Trust's constitution. When the constitution is resolved by the Trustees it will be passed to the council's solicitors for review. Issues regarding the practicalities of having two Trustees (the council and one other person), however, is currently being considered by the Clerk and may need a formal review in the future.</p> <p>The website also identifies:</p> <p><u>The Charity address:</u> Hedon Town Council, 36 St. Augustines Gate, Hedon, Hull, HU12 8EX</p> <p><u>Email address:</u> townclerk@hedon.gov.uk</p> <p><u>Last Recorded Financial Year:</u> 05/04/2023</p> <p><u>Last Recorded Income:</u> Nil</p> <p><u>Last Recorded Expenditure:</u> Nil</p> <p><u>How the charity helps:</u> Acts as an Umbrella or Resource Body</p> <p><u>What the charity does:</u> Environment/conservation/heritage</p> <p><u>Who the charity helps:</u> The General Public/mankind</p> <p><u>Activities:</u> To promote high standards of planning and architecture.</p> <p><u>Charity Objects:</u> To promote high standards of planning and architecture in or affecting the area of benefit. To educate the public in the geography, history, natural history and architecture of the area of benefit. To secure the preservation, protection, development and improvement of features of historic or public interest in the area of benefit.</p>
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		<p>The parcel of land is currently maintained by the council as the Trust does not have any funds. The External Auditor has advised that, if the council wishes in these circumstances to continue to incur expenditure on behalf of the Trust it should, for transparency purposes, record in the council's minutes that "<i>Because there are no Trust Fund monies available, the council has spent its own funds on the maintenance and upkeep of this asset and area for the good of the community as a whole</i>". This resolution was made by the council at the F&GP Committee meeting held on the 24th February 2022.</p> <p>The council, as managing Trustee, has complied with the annual reporting requirements of the Charity to the Charity Commission for the year ended 5th April 2023.</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 Town Clerk and the Assistant Town 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 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 2024.

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

8th May 2024