6

Public Sector Audit

Hedon Town Council

Internal Audit Report for the year ended 31 March 2025

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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 2025. 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:

- 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?	Appropriate accounting records **Findings** 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). The accounting records were reconciled and complete up to the 31st March 2025. The accounting system has been well maintained and formal bank reconciliations for the council's Current Account, High Interest Account, CCLA Account and internal Petty Cash Account have been undertaken monthly.
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	Adherence to Financial Regulations and Standing Orders **Findings** The council's Standing Orders were reviewed and approved at the Finance and General Purposes (F & GP) Committee held on the 30th May 2024. At the time of review they were the latest NALC Model and include the updated procurement thresholds announced by the Government from 1st January 2024. During March 2025 NALC published revised Financial Regulations and in April 2025 new Model Standing Orders were also released by NALC. The updated Financial Regulations were reviewed by the F & GP Committee on the 27th March 2025 and agreed by the same committee on the 24th April 2025. The Acting Town Clerk is aware that NALC's updated Standing Orders need to be agreed and they will be presented to the Town Council meeting in May for review and the following meeting in June for agreement.

		➢ It is noted that the latest Financial Regulations require that the review of Internal Audit Reports cannot be delegated to a committee of the council. It is now mandatory that the outcome of a review of the effectiveness of the council's controls must be reviewed by Full Council. **Recommendation** ● All future Internal Audit Reports must be reviewed by the Town Council and not delegated to a Committee.
3	Are payment controls effective and VAT properly accounted for? Has the council recorded s137 expenditure separately and is it within the statutory limit?	<u>Adequate payment controls</u> **Findings** I have tested a sample of payments throughout the year. 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. Invoices paid online via the BACS system are authorised by two council Members on the invoices and monthly finance schedules. 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. A separate code has correctly been established for s.137 expenditure; no expenditure has been coded to this statutory power during the year, however. During the year four cheques have been issued. Two of the stubs have correctly been initialled by both signatories to confirm agreement with the cheque and the documentation provided at the time of signing. The stubs for the other two cheques, however, have been initialled by only one signatory.

4	Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments? Is insurance cover appropriate and adequate? Are financial controls documented and regularly reviewed?	<u>Assessment of significant risks</u> **Findings** 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 27th March 2025 noted the rolling review and the full Risk Register was approved. The Council's Health & Safety Policy was reviewed and approved by the F & GP Committee held on the 25th July 2024. The council's Fire Risk Assessment was carried out on the 5th May 2022 and remedial works were undertaken. In addition, the council's fire extinguishers, emergency lighting and fire alarm and PAT testing are professionally tested annually. The Acting Town Clerk has confirmed that Street Marshalls employed by the council for various events are issued with detailed Risk Assessments, which are signed by the employees and returned to the council. 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 Acting 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. ➢ When the Acting Clerk has gained full access to the Worknest system the inspection sheets will be input into the Worknest portal for continual review. 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.

		The council has now contracted with Work Nest, a professional Health and Safety company. The company is the "responsible person" for the purpose of the council's Health & Safety. A Health and Safety policy hand book and an H & S Manual is being produced for the council by Work Nest. The Acting Clerk maintains a document which identifies the key financial tasks needing to be undertaken on a weekly, monthly and quarterly basis. The document is updated 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. I have reviewed the council's current insurance policy and confirm that the indemnity limits are adequate. I have reviewed the council's back up arrangements for its electronic records and the Acting 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 external hard drive (and a new memory stick) are now password protected. **Recommendation** ● The council should enquire whether the Fire Risk Assessment should be re-reviewed periodically; on a three yearly basis for example or a longer period of time.
5	Has the annual precept requirement resulted from an adequate budgetary process? Has progress against budget been regularly monitored and reported and were reserves appropriate?	Adequate budgetary process **Findings** The Clerk prepared a detailed budget for setting the Precept for 2024/25, and a Precept of £256,600 was approved by Full Council on 18th January 2024. Actual income and expenditure against budget is monitored and reported to F&GP monthly. As at the 1st April 2025 the council's balances totalled £155,078. This comprised earmarked reserves of £48,579 for specific projects and liabilities and a general reserve of £106,499. The general reserve represents

		33% of the current year's budget of £316,000 and is considered to be prudent for the size of the council and its potential liabilities.
6	Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked? Were security controls over cash and cash equivalents effective?	<u>Adequate income controls</u> **Findings** The council's Precept for 2024/25 is £256,600 which agrees to the two instalments of £128,300 received from ERYC on 30/04/24 and 30/09/24. 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 25th April 2024. The scale of charges for the other council activities was reviewed and approved by F & GP on the 28th March 2024. The meeting on the 28th March also agreed the charges for hanging baskets and the Christmas Lights Event. The Events Working Group's recommendations in respect of the Scrufts dog show, Hedon calendar and sponsorship were also agreed at this meeting. The charges for Allotments were agreed by F & GP on the 28th November 2024 to stay the same for 2025/26 as 2024/25. In addition to the council's charges for the services it provides, the council also received a VAT refund, ERYC grants, calendar sales and calendar advertising donations, hanging baskets, market rent, Christmas stall fees, Christmas trees, Scrufts dog show stalls, Hedfest stalls and sponsorship, Mayor's Charity Donations, CCTV, wayleaves, Iveson car park seating, Alexandra Hall water usage recharge, bank interest and miscellaneous. 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. A sample of Allotment rent received has been reviewed and is in accordance with the approved scale of charges.

7	Were petty cash payments appropriate and supported by receipts? Was all expenditure approved and reported to members? Has VAT been correctly accounted for?	<u>Appropriate petty cash controls</u> **Findings** The Town Council maintains a petty cash float of approximately £200. The float is reconciled periodically by the Acting Clerk and the accounting system automatically produces a monthly petty cash account reconciliation. 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. All petty cash expenditure is reported to council together with all other council expenditure.
8	Do all employees have contracts of employment with clear terms and conditions? Are salaries to employees and all other payments and allowances paid in accordance with council approvals? Has PAYE and NI been correctly deducted and paid to HMRC?	<u>Adequate payroll controls</u> **Findings** All employees have received a formal contract of employment, or a Letter of Understanding. All contracts of employment have been signed by the council's current employees and the council. All contracts contain clear terms and conditions of employment. I have agreed all salaries paid from April 2024 to March 2025 to the original contracts of employment and Letters of Understanding, any subsequent authorised changes to the terms and conditions of contracts, time sheets and the 2024/25 NJC pay scales including back pay from 1st April 2024. A second officer or councillor check on payroll calculations continues to be undertaken. Officer overtime worked is recorded on the payslips, and the finance schedule is authorised by the Council Members. For the sample checked, the hours paid to employees agree to supporting timesheets. 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 2024/25 is correct.

		For the sample checked, all statutory deductions have been correctly paid to HMRC.
9	Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?	<u>Appropriate recording of assets</u> **Findings** 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 27th March 2025 for review and approval. The council's Investment with the CCLA is added as a note 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 2025, and hence not included in box 9, fixed assets, on the year-end Accounting Statement. Purchases during the year have been added to the register using the correct valuation method of net cost excluding VAT.
10	Were bank reconciliations performed on a regular and timely basis? Has a year-end reconciliation been performed and balanced? Have all bank reconciliations been reviewed by an appointed member and evidenced as such?	<u>Adequate bank reconciliations</u> **Findings** As noted in section one of this report, 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 account. 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 initialled by the Chairman of F & GP to signify that both are in agreement. A review of the reconciliations confirms that they contain no unusual or balancing entries. I have reviewed the reconciliations and agreed the month-end balances to the respective bank statements.

		The Mayor's Charity Account has been moved from income and expenditure codes in the accounting system to a Balance Sheet code, thereby keeping such expenditure out of the Accounting Statements on the year-end AGAR, in accordance with the External Auditor's requirements.
11	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? Has the previous Internal Audit Report been submitted to council and actioned as necessary?	<u>Correct accounting basis and previous Internal Audit Report actioned</u> **Findings** The year-end statements have been prepared on the correct accounting basis (Income and Expenditure) and, therefore, debtors and creditors have been included. The statements agree with the cash book and there is an audit trail from underlying financial records to the year-end statements. The total value of assets on the Asset Register at the 31st March 2025 agrees to box 9, fixed assets, on the Accounting Statement on the AGAR. The Interim Internal Audit Report in respect of 2024/25 was presented to and noted at the F & GP Committee meeting held on the 27th February 2025.
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 2024, 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?	Publication Requirements **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 with the exception of an amended Section 2 Accounting Statement as a result of the External Auditor's review. ➢ It is noted that the External Auditor has confirmed on his certificate that "In the prior year income from town amenities was netted off against expenditure and included in Box 6. All other receipts should be included in Box 3 and in the prior year Box 3 and Box 6 should read £26,606 and £118,847 respectively". The Government's guidance notes to the completion of the AGAR state; *"Prior to the 30th September 2024 the council **must** publish Sections 1 and 2 of the AGAR including any amendments as a result of the Limited Assurance Review." The amended Section 2, in response to the External Auditor's comments, has not, however, been published on the council's website.* ➢ It was also noted by the External Auditor that the completion of Section 1 (the Annual Governance Statement) was inconsistent with Section 2 (the Accounting Statement) in respect of the council's Trust responsibilities. **Recommendations** • Any amendments to Sections 1 and 2 of the AGAR, as a result of the External Auditor's review, should be published on the council's website before the 30th September 2024. • The council should ensure that the year-end Annual Governance Statement is correctly completed to reflect its responsibilities for the Hedon Preservation Society Charitable Trust and reflect its declaration on the Accounting Statement.

15	Has the council met its responsibilities as a Trustee?	Trustee responsibilities **Findings** The council has assumed joint responsibility for the parcel of land in Elsiegate. The council is the managing Trustee of the Trust which owns the land and is reviewing the Trust's constitution. If 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 under consideration and may need a formal review in the future. The Charity Commission's website identifies: The Charity address: Hedon Town Council, 36 St. Augustines Gate, Hedon, Hull, HU12 8EX Email address: townclerk@hedon.gov.uk Last Recorded Financial Year: 05/04/2024 Last Recorded Income: Nil Last Recorded Expenditure: Nil How the charity helps: Acts as an Umbrella or Resource Body What the charity does: Environment/conservation/heritage Who the charity helps: The General Public/mankind Activities: To promote high standards of planning and architecture. Charity Objects: 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. 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 *"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"*. This resolution was made by the council at the F&GP Committee meeting held on the 24th February 2022. 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 2024.

Executive Summary

The accounts and governance arrangements of the council have been maintained to a very high standard and the hard work of the Acting Clerk and previous Clerk of the council in achieving this is acknowledged.

The internal financial control environment within the council is excellent and the consideration and adoption of the above recommendations will serve to 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

12th May 2025

Public Sector Audit

Agenda item 6

Reply to Internal Auditor's Report – Year ended 31 March 2025

The Internal Auditor has itemised his recommendations using a traffic light system:

Red – significant weakness and requires urgent attention
Amber – moderate weakness and requires attention within year
Green – minor weakness, matters which Council may wish to address

	Findings & Recommendations	Town Clerk's Comments
1	No recommendations	
2	1 Amber	Noted - on the Town Council agenda for 29.5.25
3	No recommendations	
4	1 Amber	Noted – The Town Clerk would enquire as to the frequency of Fire Risk Assessments
5	No recommendations	
6	No recommendations	
7	No recommendations	
8	No recommendations	
9	No recommendations	
10	No recommendations	
11	No recommendations	
12	No recommendations	
13	1 Amber	Noted. The pro-forma recommended by the External Auditor would be used for the publication of the Notice of Public rights.
14	2 Amber	Noted. This would be done. Noted. This would be done.
15	No recommendations	

CJA/21.5.25