

# *Public Sector Audit*

## **Hedon Town Council**

### ***Internal Audit Report for the year ended 31 March 2026***

*Public Sector Audit*

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## Hedon Town Council

### **Internal Audit Report for the year ended 31 March 2026**

#### 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
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p><b>Findings</b></p> <p>The accounting system is maintained on a computerised software package by Rialtas Business Solutions (RBS).</p> <p>It is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</p> <p>At the time of the audit the accounting records were reconciled and complete up to the 31st March 2026.</p> <p>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.</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><b>Findings</b></p> <p>The council's Standing Orders were reviewed and approved at the Town Council meeting held on the 29th May 2025.</p> <p>Updated Financial Regulations were reviewed by the F &amp; GP Committee on the 27th March 2025 and agreed by the same committee on the 24th April 2025.</p>
3	Are payment controls effective and VAT properly accounted for?	<p><u>Adequate payment controls</u></p> <p><b>Findings</b></p> <p>I have tested a sample of payments throughout the year.</p>

	<p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<ul style="list-style-type: none"> <li>➤ 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.</li> </ul> <p>Invoices paid online via the BACS system should be authorised by two council Members on the face of the invoices and monthly finance schedules.</p> <ul style="list-style-type: none"> <li>➤ It is noted that occasionally only one council Member has initialled the invoice to confirm that they have checked and authorised it.</li> </ul> <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; no expenditure has been coded to this statutory power during the year, however.</p> <p>One cheque was issued during the year. The stub has correctly been initialled by both signatories to confirm agreement with the cheque and the documentation provided at the time of signing.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● Both authorising council Members should initial on the face of each invoice to confirm that it has been reviewed and agreed for authorisation.</li> </ul>
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><u>Assessment of significant risks</u></p> <p><b>Findings</b></p> <p>The council maintains a set of Risk Assessments which are subject to a rolling review by F &amp; GP Committee. The full Risk Register was presented to the meeting of the Town Council on the 26th March 2026 and approved.</p>

<p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<ul style="list-style-type: none"> <li>➤ The F&amp;GP meeting held on the 26th March 2026 noted a Fire Risk Assessment at the Town Hall had been undertaken. Several matters were noted which were reported to F &amp; GP Committee on the 23rd April 2026 and the work required was approved.</li> </ul> <p>The council's fire extinguishers, emergency lighting and fire alarm and PAT testing are professionally tested annually.</p> <p>The 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.</p> <p>The council has contracted with Work Nest, a professional Health and Safety company. The company is the "responsible person" for the purpose of the council's Health &amp; Safety. All Health and Safety and Risk Assessments are uploaded to the Worknest Portal which is available to the Clerk.</p> <p>Regular inspections of the play area and skate park are undertaken by council staff and are recorded on weekly inspection sheets. The inspection sheets are signed off by the 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> <ul style="list-style-type: none"> <li>➤ It is anticipated that in the future the inspection sheets will be input into the Worknest portal for continual review.</li> </ul> <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>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 as and when necessary. Such documentation provides</p>
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		<p>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 to cloud by the council's IT provider. The council's computers are password protected.</p>
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><b>Findings</b></p> <p>The Clerk prepared a detailed budget for setting the Precept for 2025/26, and a Precept of £286,000 was approved by Full Council on 16th January 2025.</p> <p>Actual income and expenditure against original budget is monitored and reported to F&amp;GP monthly.</p> <p>As at the 1st April 2026 the council's balances totalled £151,088. This comprised a year-end balance of earmarked reserves totalling £38,579 for specific projects and liabilities, and a general reserve of £112,509. The general reserve represents 36% of the current year's Precept of £313,050 and is considered to be prudent for a council the size of Hedon Town council and its potential liabilities.</p> <ul style="list-style-type: none"> <li>➤ It is noted that the council, when setting the 2026/27 budget, increased earmarked reserves by £10,000 for Yorkshire Day and added an additional £4,000 for elections.</li> </ul>
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><b>Findings</b></p> <p>The council's Precept for 2025/26 is £286,600 which agrees to the two instalments of £143,000 received from ERYC on 30/04/25 and 30/09/25.</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</p>

charges and the scale of charges for the other council activities were reviewed and approved by F & GP on the 25th September 2025.

The F & GP Committee held on 24/04/25 agreed the charges for hanging baskets. The F & GP meeting on the 24th July 2025 agreed the £4 charge for a pack of six Christmas cards and £20 for Christmas trees. Charges for Allotments were agreed by F & GP on the 28th November 2024 to stay the same for 2025/26.

- The £30 charges for Christmas light stalls (and £70 for food stalls) and £650 for the fairground ride fee were agreed by the Events Working Group in July but the agreed charges were not minuted. Following the Interim Audit, the council re-confirmed the charges at a meeting of the F & GP Committee held on the 26th February 2026. This has enabled me to confirm to the External Auditor that "Expected income was fully received, based on correct prices"
- A £15.00 charge per person for a flower arranging workshop was agreed at the F & GP Committee held on the 23rd October 2025.
- A £15.00 charge per person for a pumpkin Workshop was agreed at the F & GP Committee held on the 25th September 2025.

In addition the council also received a VAT refund, ERYC grants, Public Rights of way grass cutting, hanging baskets, market rent, Christmas stall fees, Christmas trees, Christmas Santa, Mayor making dinner, Mayor's Charity events, CCTV, bank interest, fairground ride, refunds, donations and miscellaneous.

I have checked a sample of council income to the approved lists of charges and council minute authorisations (where available) to verify that the correct charges have been raised. All fees checked have been correctly charged.

- It is noted that the charge for Santa at the Christmas light switch on event has not previously been formally recorded and reviewed. This has now been added to the formal charges for town amenities and events.

		<p>A sample of Allotment rent received has also been reviewed and is in accordance with the approved scale of charges.</p> <p>At the time of the audit it could not be identified whether the charge for seating in Iveson car park for 2025 had been minuted or an invoice raised for this service. No income has been received for this during 2025/26.</p> <ul style="list-style-type: none"> <li>➤ It is noted that £125 for Iveson car park seating for 2026/27 was received in April 2026. This, however, is less than the charge of £150 approved at the Property Committee held on the 4th February 2026. The Clerk has confirmed that the balance will be pursued prior to the summer. The annual charge for this service has also now been added to the formal charges for the town amenities and events to ensure that it is reviewed by the council each year and charged accordingly.</li> </ul>
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><b>Findings</b></p> <p>The Town Council maintains a petty cash float of approximately £200. The float is reconciled periodically by the Assistant Finance Officer 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>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p>	<p><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>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.</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>I have agreed a large sample of salaries from April 2025 to March 2026 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 2025/26 NJC pay scales including back pay from 1st April 2025. A second officer 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.</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 2025/26 is correct.</p> <ul style="list-style-type: none"> <li>➤ It is noted that the East Riding Pension Fund has now issued an extract from its 2025 three-year Actuarial Valuation, to cover the period up to the 31st March 2029. The employer's pension contribution will be 14.8% with effect from the 1st April 2026 up to 31st March 2029.</li> </ul> <p>For the sample checked, all statutory deductions have been correctly paid to HMRC.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council should apply the amended employer's pension contribution of 14.8% with effect from April 2026.</li> </ul>
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><b>Findings</b></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 council meeting held on the 26th March 2026 for review and approval.</p>

		<p>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 2026 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>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p><b>Findings</b></p> <p>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.</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 initialled by the Chairman of F &amp; GP to signify that both are in agreement.</p> <p>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.</p> <p>The Mayor's Charity Account is maintained in the council's accounting system under a Balance Sheet nominal ledger code, thereby keeping such income and expenditure out of the Accounting Statements on the year-end AGAR, in accordance with the External Auditor's requirements.</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</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p><b>Findings</b></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>

	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?	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 2026 agrees to box 9, fixed assets, on the Accounting Statement on the AGAR.  The Interim Internal Audit Report in respect of 2025/26 was presented to and approved at the Town Council meeting held on the 26th February 2026.
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> <b>Findings</b> 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> <b>Findings</b> I have confirmed by a review of the council's website that, during the summer of 2025, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations.
14	Did the council comply with the publication requirements for the previous year's AGAR?	<u>Publication Requirements</u> <b>Findings</b> 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 complied with laws, regulations & proper practices	<u>Digital and Data Compliance</u> <b>Findings</b> The council's email address and website are compliant - i.e., .gov.uk, .org.uk or another council owned suffix.

	relating to digital and data compliance?	<p>The council's website complies with the accessibility guidelines in accordance with WCAG 2.2AA.</p> <ul style="list-style-type: none"> <li>➤ It has an Accessibility Statement.</li> <li>➤ It contains some Transparency Code information but it is not provided in a logical and accessible section as required by the WCAG guidelines.</li> </ul> <p>The council has an IT Policy.</p> <ul style="list-style-type: none"> <li>➤ It was formally adopted by the council on the 27th November 2025.</li> <li>➤ 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.</li> </ul> <p>The council has a Data Protection Policy recognising its obligations under Data Protection law. It was adopted in 2018.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The council should continue to review its website to identify any shortcomings in the information published in respect of the 2015 Transparency Code.</li> <li>● Transparency Code information should be provided on the councils website in a logical and accessible section.</li> </ul>
16	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p><b>Findings</b></p> <p>The council has assumed joint responsibility for the parcel of land in Elsiegate.</p>

		<p>The council is the managing Trustee of the Trust which owns the land. The Trust's original constitution has now been located and forwarded to the council's solicitors. The constitution requires updating to make it fit for purpose and resolve the issues regarding the practicalities of having only two Trustees (the council and one other person). When this work has been completed the revised constitution will be presented to council for review and approval.</p> <p>The Charity Commission's website identifies:  <u>The Charity address:</u>  Hedon Town Council, 36 St. Augustines Gate, Hedon, Hull, HU12 8EX  <u>Email address:</u>  townclerk@hedon.gov.uk  <u>Last Recorded Financial Year:</u>  05/04/2025  <u>Last Recorded Income:</u>  Nil  <u>Last Recorded Expenditure:</u>  Nil  <u>How the charity helps:</u>  Acts as an Umbrella or Resource Body  <u>What the charity does:</u>  Environment/conservation/heritage  <u>Who the charity helps:</u>  The General Public/mankind  <u>Activities:</u>  To promote high standards of planning and architecture.  <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.</p>
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		<p>To secure the preservation, protection, development and improvement of features of historic or public interest in the area of benefit.</p> <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&amp;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 2025.</p>
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## Executive Summary

The accounts and governance arrangements of the council have continued to be maintained to a very high standard and the hard work and diligence of the Town Clerk and Assistant Finance Officer 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 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*

28<sup>th</sup> April 2026

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