

Public Sector Audit

Howden Town Council

Interim Internal Audit Report for the year ended 31 March 2022

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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 interim Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2022. 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

	Tests Performed	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 council's accounting records are maintained on a computerised system by Realtas Business Systems (RBS) which provides all the information required for the Statutory Annual Governance and Accountability Return.</p> <p>The accounting system ensures that it is arithmetically correct and monthly bank reconciliations confirm that the accounting system and bank are in agreement. The council's NS & I account is separately identified in the accounting system and monthly bank reconciliations are automatically produced by the system for this account. These reconciliations and latest bank statements are not, however, forwarded to Councillors and full council for review and approval.</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>At the council meeting held on the 19th May 2020 the council reviewed and approved revised Standing Orders and Financial Regulations. The minutes confirm that these reflect the latest July 2018 NALC Model Standing Orders and the latest July 2019 NALC Financial Regulations.</p> <p>The wording of the council's Financial Regulations that were adopted at the May 2020 meeting did not, however, fully reflect the changes that were made to the latest NALC Model. The required amendments were made, and the revised Financial Regulations were reviewed and approved by Resources and Asset Management (RAM) Committee on the 13th October 2020 and Full Council on the 17th November 2020.</p> <p>Revised NALC Model Standing Orders, to reflect annual changes in contract values, were announced in May this year. The Council reviewed this Model in September and resolved to defer a decision to adopt them until the Clerk had looked into the wording of section 5.10 and reported back to council. ERNLLCA has confirmed that it expects yet another change given that the UK is no longer a member of the EU, though the timing of this is not yet known.</p>

		<p>Recommendation</p> <ul style="list-style-type: none"> ● When the Clerk has reviewed the wording of section 5.10 of the latest NALC Model Standing Orders and reported back to council, it should again review the 2020 NALC Model and consider its adoption, or an amended version if appropriate. Enquiries should also be made as to whether a further updated Model has been announced to take account of the UK ceasing to be a member of the EU.
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 large sample of payments from April to September 2021 to ensure that there is a formal invoice and that the expenditure has been reported to council. All payments tested were supported by invoices or receipts and were reported to council. The schedules of payments, including totals, are included in the minutes as evidence for audit purposes of the payments that have been fully authorised.</p> <p>For the period of the audit (with the exception May, June and July when physical meetings were not being held) the Vice Chairman of the council has signed each invoice to confirm that he has checked and authorised them and agreed them to the schedule of payments presented to each meeting. The Clerk has confirmed that, starting from the November council meeting, the Vice Chairman and one other council Member will authorise all invoices. The Clerk also includes a scanned copy of each invoice and payments schedule with the agenda papers for each meeting.</p> <p>I have reviewed payments for completeness, accuracy, the correct year of account and compliance with Financial Regulations.</p> <p>Following the rolling over of contracts for several years, the RAM Committee resolved on the 13th October 2020 to refer the re-tendering of contracts to the Amenities Committee. This was done and the Amenities Committee resolved on the 10th November 2020 to commence a three-year rolling programme of tenders for each of cemetery maintenance, grounds maintenance and hanging baskets/planter maintenance. Owing to the retirement of the council's burial ground maintenance contractor, this contract was re-tendered first, and one of four contractors that tendered was chosen for a one-year period. This contract will be rolled on for a</p>

		<p>further three years subject to satisfactory performance. Next year the council's grounds maintenance contract will also be re-tendered.</p> <p>I have checked and confirmed that VAT has been correctly identified and recorded in the accounting system for future reclaim from HMRC.</p> <p>A code for s.137 expenditure has correctly been included in the accounting system. A total of £9,876.90 has been allocated to this code to the date of the audit. The expenditure is appropriate for this statutory power and well within the statutory limit.</p> <p>The Clerk has confirmed that no cheques were issued during the year.</p>
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><u>Assessment of significant risks</u></p> <p>Findings</p> <p>The council's Health and Safety advisor works with the council to ensure that its Health and Safety Policy and practices are up to date and that appropriate measures are taken to protect both the public and the council. The advisor visits three time each year, in addition to any one-off assessments when necessary.</p> <p>The council maintains a formal Financial Risk Assessment document covering financial controls, council owned and maintained assets, legal liabilities and administration. The document was approved by the RAM Committee on the 25th August and adopted by Council on the 15th September 2020. Minute 20-53.1 of the council meeting on the 15th September records that the Financial Risk Assessment would be forwarded to RAM at every Committee meeting as an ongoing working document. The RAM Committee held on the 14th September 2021 again reviewed and approved the Financial Risk Assessment. It was noted that some policies are still to be written and a timetable of March 2022 for these was agreed.</p> <p>The Financial Risk Assessment identifies that buildings will be inspected annually and assets inspected regularly. Inspection sheets have been drawn up to record such inspections and any faults found. Provision has been made to record the action taken to remedy such faults.</p>

		<p>Monthly detailed inspections, in accordance with the insurance company's advice, are now being carried out by nominated council Members. These cover Derwent Play Park, Howden Marsh Local Nature Reserve, the Cemetery, Howden Minster grounds and Shelford Avenue open space. Inspection sheets are now being completed and returned to the Town Clerk's office for review and action if necessary. The reports are submitted to the Amenities Committee, when held, or full council in the event of urgent action being required.</p> <p>The council has also contracted with an independent play inspection company to provide an annual inspection of Derwent Park.</p> <p>The council's insurance policy was renewed on the 1st June 2021. I have reviewed the limits of indemnity and all are considered to be adequate. The Clerk has confirmed that the council does not receive or hold any cash on the premises.</p> <p>The Insurance schedule and Asset Register have been subject to a detailed review and the Clerk has confirmed that all assets that the council owns, or is responsible for, are adequately insured.</p> <p>I have reviewed the council's security arrangements in respect of electronic data. The Clerk has confirmed that the council's computer is password protected and the council's accounting package and all other electronic data is automatically saved to "One Drive" which is a Microsoft cloud storage facility. Whilst working from home the Clerk has confirmed that all council's electronic data is also automatically saved to cloud.</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?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</p> <p>The council agreed a Precept of £189,715 for 2021/22 at the meeting held on the 19th January 2021. A detailed budget setting document was prepared which identified actual expenditure from April to December 2020 and anticipated expenditure for January to March 2021. It is noted that the final budget setting spreadsheet does not include the anticipated expenditure for the Burial Committee and the anticipated income from the cemetery. The 2020 NALC/SLCC Governance and Accountability Guide identifies that:</p>

		<p><i>“As part of the key stages in the budgeting process, the council should not only determine the cost of spending plans but also assess all levels of income.”</i></p> <p>A detailed budget monitoring report was presented to the first RAM Committee meeting of the year, held in September 2021. Any significant variations are discussed so that appropriate action can be taken if necessary. The out-turn figures up to the end of December 2021, together with forecasted figures for the fourth quarter of 2021/22, will be presented to RAM Committee on the 11th January 2022 for the purpose of setting the 2022/23 budget and Precept. Rialtas continues to be utilised for budget monitoring purposes.</p> <p>It is noted that the council is working towards increasing its general level of reserves towards the 3 months net revenue expenditure recommended by the Government for a council the size of Howden Town Council.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● When the council prepares its budget for 2022/23 it should re-configure its budget setting spreadsheet to include anticipated burial and HJBC Precept income and all expenditure in respect of the Burial Committee. Income in respect of the Allotment Association should also be included. ● When the council reviews its general balances as part of the 2022/23 budget setting process, it should continue to take into account the general reserve policy recommended by the Government.
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>The council’s 2021/22 Precept has been received in two instalments of £94,857.50 on the 30th April and 1st September 2021; these agree to the ERYC remittance advices, the accounting system and bank statements.</p> <p>Apart from the Precept, the council has received income from cemetery fees, room hire, a returned grant for Howden Show, a VAT refund from HMRC and donations towards "Project Loo".</p> <p>A large sample of cemetery fees has been checked and agreed to the current fee structure dated 25th November 2020. The checking was greatly assisted by the cross referencing of invoice numbers to the</p>

		<p>accounting system. Room rental charges have not been checked owing to insufficient documentary evidence to support the amounts being charged for room hire. The Clerk has confirmed that the charging structure for room hire will be discussed the RAM Committee in November 2021. I have also agreed the refund of the grant for Howden Show to the original payment made by the council and the VAT refund to the accounting system for 2020/21.</p> <p>It is noted that the council has previously received income in respect of wayleaves from Northern Powergrid. This income has not been received for several years however.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● Enquiries should be made to identify whether the council should have continued to received wayleave income from Northern Powergrid. Also, if the council Members recall income being received from other sources in the past, similar enquires can be made. ● The council should consider maintaining a periodical receipts document which identifies sundry income that should be received during the year to enable enquiries to be made if such income is not received. Such a document is also useful, in the event of staff changes, in order to maintain continuity.
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 council does not maintain a petty cash system.</p> <p>Small items of sundry expenditure incurred by the Clerk and council Members are reimbursed via the normal payments system. Such payments are correctly included on the schedule of payments presented for authorisation to each meeting of the council.</p> <p>I have checked a sample of payments that have been reimbursed to the Clerk and a council Member. All payments have been correctly coded in the accounting system and VAT has been correctly recorded for reclaim purposes.</p>

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 council employees have contracts of employment with clear terms and conditions of employment.</p> <p>It is noted that overtime sheets for staff have now been created and these will be authorised by the Clerk in the event of overtime being required.</p> <p>I have agreed the gross pay for each employee for each month from April to September 2021 in accordance with the contracts of employment and NJC pay scales.</p> <p>All council employees have been subject to PAYE and NI regulations and, for the sample checked, deductions have been correctly paid to HMRC.</p>
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 maintains an Asset Register in a spreadsheet format.</p> <p>The register was reviewed by the RAM Committee on the 14th September 2021 and it was resolved to delete items of less than £100 and update building valuations for insurance purposes. The Clerk is aware that the revalued council offices should not be reflected in a higher figure on the Asset Register for inclusion on the year-end AGAR. It was also proposed to include the location of assets as well as the dates on which they were checked and a photograph of each asset. This work is ongoing.</p> <p>I have seen no evidence of new assets purchased since the 1st April 2021 and the Clerk has confirmed that there have been no purchases during the year needing to be added to the register.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● It should be noted that it is Government policy that assets gifted to the council, or those with no intrinsic value, such a village pond, should remain on the Asset Register at a nominal value of £1 for the purpose of identification and inclusion on the AGAR.

		<ul style="list-style-type: none"> ● As the council has re-valued the council offices for insurance purposes, it may wish to consider whether its civic regalia should also be revalued for this purpose.
10	<p>Were bank reconciliations performed on a regular and timely basis? Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u> Findings The council maintains two bank accounts: a Current Account with the Co-operative Bank and an NS & I Investment Account.</p> <p>Monthly bank reconciliation statements have been prepared using the council's accounting system. The council's NS & I account is separately identified in the accounting system and monthly bank reconciliations are automatically produced by the system for this account. As noted in section 1 above, only the council's current account and respective bank statements are currently forwarded to council Members and full council for review and approval. The NS & I reconciliations and latest bank statements are not forwarded to Councillors and full council for review and approval.</p> <p>Recommendation ● As recommended last year, and as part of the system of sound internal control, the monthly bank reconciliations and latest bank statements for the council's NS & I account - whether any movements have taken place or not - should be distributed to council Members and full council and be signed as authorised by the Chairman.</p>
11	<p>Has the previous year's Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Previous Internal Audit Report actioned</u> Findings The 2020/21 Final Internal Audit Report was presented to and approved by the RAM Committee at the meeting held on the 14th September 2021.</p>
12	<p>Has the council met its responsibilities as a trustee?</p>	<p><u>Trustee responsibilities</u> Findings I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed that this is the case.</p>

Executive Summary

The accounts and governance arrangements of the council have been maintained to a very high standard and the assistance of the of the Clerk of the council in the completion of this audit was much appreciated. Page | 12

The internal financial control environment within the council is excellent and the adoption of the above recommendations and consideration of the advisory notes will enhance and strengthen the systems, procedures and governance arrangements already in place. The overall governance and internal control within the council is considerably strengthened as a result of all of the 2020/21 audit recommendations being actioned by the Clerk and the Council.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2020.

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

23rd October 2021

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