

Public Sector Audit

Howden Town Council

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 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.

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

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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>Findings 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 (AGAR).</p> <p>It is noted that the year-end Asset Register total has not yet been input into the accounting system. This should be done to ensure that the correct previous year's comparative figure is automatically brought forward onto the following year's AGAR.</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.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should update RBS during the current financial year to include the total value of council assets held (box 9) and the total borrowings outstanding (box 10) on the AGAR as at the 31st March 2022.
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 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 2021. 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. This was done and revised wording for section 5.10.15 was adopted, together with unchanged Financial Regulations, at the council meeting held on the 16th November 2021.</p> <p>The Government has also announced revised thresholds in respect of tendering for public contracts, which came into effect on the 1st January 2022; the NALC Model, however, has not yet been updated. The Clerk is aware of this and will update Standing Orders to take account of the revisions in the coming months.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● Standing Orders should be amended in the current financial year to take account of the Government's revised procurement thresholds.
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 during 2021/22 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, authorised by two Council Members and reported to council. The Clerk also includes a scanned copy of each invoice and payments schedule with the agenda papers for each meeting. Also, the total of each schedule is included in the minutes for transparency purposes.</p> <p>I have reviewed payments for completeness, accuracy, the correct year of account and compliance with Financial Regulations.</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 further three years subject to satisfactory performance. Next year the council's grounds maintenance contract will also be re-tendered.

I have checked that VAT has been correctly identified and recorded in the accounting system for future reclaim from HMRC. It was noted that on one occasion the VAT element of an invoice from ERYC for the Street Lighting SLA was not recorded in the accounting system for inclusion in the VAT reclaim from HMRC.

A reimbursement in March 2022 for key cutting has been analysed in the cash book excluding VAT. The suppliers VAT registration number is shown on the till receipt and does, therefore, constitute a "VAT invoice" under HMRC's simplified invoice rules for payments up to £250.

A code for s.137 expenditure has correctly been included in the accounting system. A total of £29,254.50 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. It is noted, however, that expenditure incurred in the purchase of poppy wreaths for Remembrance Sunday had not been coded to s.137. As such payments are donations to the Royal British Legion, they should be coded to s.137 in accordance with the Local Government Act 1972. The Clerk has since reallocated this expenditure to s.137

The Clerk has confirmed that no cheques were issued during the year.

Recommendations

- Care should be taken to ensure that all VAT is identified and recorded in the accounting system for the purpose of reclaim from HMRC.

		<ul style="list-style-type: none"> ● Payments made, which satisfy HMRC simplified invoice rules should be analysed in the cash book with the appropriate VAT element identified in the VAT column for reclaim purposes from HMRC. ● Donations to charities, such as the Royal British Legion, should be coded to s.137 in the accounting system.
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 times 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. Two outstanding policies, Training and Development and Rental and Room Hire, have since been reviewed and approved by RAM at the meeting held on the 16th November 2021.</p> <p>The Financial Risk Assessment identifies that buildings will be inspected annually and assets inspected regularly. Inspection sheets are used 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 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 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>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 and were reserves appropriate?</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. The final budget setting spreadsheet did not include the anticipated expenditure for the Burial Committee and the anticipated income from the cemetery. It is noted that the budget setting document, used for setting the 2022/23 Precept, includes expenditure for the Burial Committee but the Burial Committee did not wish to include any possible income for the cemetery. The reason for this is to build up reserves for the future when the Burial Committee has a commitment to maintain the cemetery for 100 years after the last burial has taken place.</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, were presented to Full Council on the 25th 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's 2022/23 budget setting process increased its level of general reserves to the 3 month's net revenue expenditure as recommended by the Government for a council the size of Howden Town Council.</p> <p>The council's 2022/23 budget setting document identifies that the council's reserves total £140,532, of which £46,000 is a general contingency reserve which is considered to be adequate for Howden Town Council.</p>
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, Precept receipts from Asselby Parish Council in respect of the Burial Committee, a returned grant for Howden Show, a VAT refund from HMRC, wayleave payments from Northern Powergrid, Allotment Association lease and donations towards "Project Loo".</p> <p>I have checked a large sample of cemetery fees to the current fee structure dated 25th November 2020. It was noted that an invoice for interment of ashes has been incorrectly charged at the previous 2018 charge. Room rental income has not been checked owing to insufficient documentary evidence to support the amounts being charged. Room hire charges were discussed at the RAM Committee in held November 2021 and a new scale of charges was agreed. 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 Clerk has compiled 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.</p>

		<p>Recommendations</p> <ul style="list-style-type: none"> ● Care should be taken to ensure that cemetery fees are charged in accordance with the current Scale of Charges. ● If the council wishes, a revised invoice should be issued in respect of the previously incorrect charge levied for the interment of ashes in October 2021.
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 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>The findings and a recommendation in respect of the VAT implications for the reimbursement of petty disbursements is included in section 3 of this report.</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. The contract for the council's Town Centre and Events Officer has been temporarily signed on behalf of the council by the Clerk, as the Chair of Personnel is currently out of the country. The Clerk has confirmed the Chair of Personnel will sign the contract on the council's behalf upon his return.</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 in accordance with the contracts of employment and the previous and revised 2021/22 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> <p>Recommendation</p> <ul style="list-style-type: none"> ● The contract for the council's Town Centre and Events Officer should be signed by the Chair of Personnel upon his return.
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 9th November 2021. It is noted that, in accordance with the previous RAM resolution, all items costing less than £100 have been reduced to nil at the year-end, for the purpose of the completion of the AGAR. The descriptions of these assets have been left in the register for record purposes; the location of each asset has been added to the register and the work of photographing each asset is ongoing.</p> <p>The Asset Register is updated as necessary during the year to reflect any purchases or deletions. It is reviewed annually to ensure that all assets that the council owns, or is responsible for, are adequately insured. No new assets have been purchased during the year.</p> <p>The total value of council assets of £268,890, per the Asset Register at the 31st March 2022, agrees to the declaration in box 9 on the Accounting Statement on the AGAR.</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>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. The reconciliations for both accounts are distributed to council Members and Full Council each month for review and approval. The reconciliations, together with the respective bank statements, are signed by the Chair and one other Council Member to confirm that they are in agreement.</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 adequate audit trail from underlying records and where appropriate, were debtors and creditors properly recorded?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and debtors and creditors have not, therefore, been taken account of.</p> <p>The statements agree with the cashbook and there is an audit trail from underlying financial records to the year-end statements.</p> <p>The total of council assets declared in box 9 on the Accounting Statement agrees to the total of the Asset Register as at 31/03/21.</p> <p>The 2021/22 Interim Internal Audit Report was presented to and approved by the RAM Committee at the meeting held on the 9th November 2021.</p>

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?	<p><u>Exemption Certificate</u></p> <p>Findings The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
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?	<p><u>Exercise of Public Rights</u></p> <p>Findings I have confirmed by a review of the council's website that, during the summer of 2021, 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.</p>
14	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p>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.</p>
15	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p>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 continued to be maintained to a high standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated. Page | 14

The internal financial control environment within the council is good and the consideration and adoption of the above recommendations will serve to further 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 2021.

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

27th April 2022

Public Sector Audit

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