

Public Sector Audit

Howden Town Council

Internal Audit Report for the year ended 31 March 2023

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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 2023. 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>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 (AGAR).</p> <p>The accounting system ensures that it is arithmetically correct and monthly bank reconciliations confirm that the accounting system and Current Account are in agreement.</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 21st March 2023, the council reviewed and re-approved its Financial Regulations and approved updated NALC Standing Orders.</p> <p>On the 21st December 2022, the Government increased the £25,000 threshold, under the Public Contracts Regulations, to £30,000. NALC has not yet amended its Model Standing Orders and Financial Regulations to take account of this legislative change. It is understood that ERNLLCA has advised councils to wait until NALC has updated its Standing Orders (18.c) and Financial Regulations (11.b) before amending these documents.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● For clarity and transparency purposes the council may wish to update Standing Orders (18.a.c of NALC's latest Model) and Financial Regulations (11.1.b). to reflect the increase in the Government's procurement threshold under the Public Contracts Regulations.

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 2022 to March 2023 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 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> <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. The Clerk maintains a record of council contracts which identifies for each contract, the term of the contract, the date let, the duration and date of renewal.</p> <p>I have checked that VAT has been correctly identified and recorded in the accounting system for future reclaim from HMRC.</p> <ul style="list-style-type: none"> ➤ On one occasion (Voucher no 198) a payment to Amazon was recorded in RBS including a VAT element. The payment, however, was not supported by an official VAT invoice. ➤ On one occasion (Voucher no 221) an invoice including VAT was entered into the accounting system gross, i.e., excluding VAT. <p>A code for s.137 expenditure has correctly been included in the accounting system. A total of £24,128 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>
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		<p>The Clerk has confirmed that no cheques were issued during the year.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should only record VAT in the accounting system when it is in receipt of an official VAT invoice. ● All invoices that conform to VAT regulations should be entered into the accounting system including the VAT element to enable the VAT to be reclaimed from HMRC.
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 maintains a Policy and Procedure Schedule which is a control document that includes all council policies, procedures and risk assessments. It is used to ensure that all documents are maintained and reviewed at appropriate intervals.</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 two/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 council in July 2022. The Financial Risk Assessment is forwarded to RAM at every Committee meeting as an ongoing working document.</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> <ul style="list-style-type: none"> ➤ 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

		<p>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 a RoSPA approved independent play inspection company to provide an annual inspection of Derwent Park.</p> <p>I have reviewed the council's insurances and the limits of indemnity are considered to be adequate.</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> <p>A monthly checklist, which identifies the routine weekly, monthly and annual procedures as well as any additional tasks undertaken by the Clerk, is provided to either RAM or Full Council for review and approval.</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 £207,229.52 for 2022/23 at the meeting held on the 25th January 2022. A detailed budget setting document was prepared which identified actual expenditure from April to December 2021 and anticipated expenditure for January to March 2022. The budget setting document 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 first quarter budget monitoring report to the end of June was presented to council on the 20th July 2022. A second report, to the end of October 2022, was presented to the Resources and Asset Management Committee on the 8th November 2022. A further monitoring report to the end of December 2022, including</p>

		<p>anticipated spend to the end of March 2023, was presented to council for the purpose of budget and Precept setting for 2023/24. Any significant variations are discussed so that appropriate action can be taken if necessary.</p> <p>The council's 2022/23 budget setting process increased the 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 balances totalled £163,547 as at the 31st March 2023. The total comprises earmarked reserves of £119,651 and the remainder of £43,896 represents the council's general reserve. The general reserve equates to 18% of the current year's budget and is slightly low for a council the size of Howden Town Council.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● When setting the council's Precept for 2024/25 later this year, the council should be mindful of the guidance contained in the 2023 Governance and Accountability Practitioners' Guide, issued by NALC, SLCC, Government departments, the External Auditor and other associated bodies: <ul style="list-style-type: none"> ➤ <i>"The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure."</i> In accordance with the guidance, a council the size of Howden Town Council should plan to include a general reserve of 3 months net revenue expenditure. For Howden Town Council this equates to £59,845 for the current year.
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 2022/23 Precept has been received in two instalments of £103,614.76 on the 3rd May and 3rd October 2022; these agree to the ERYC remittance advices, the accounting system and bank statements.</p> <p>Apart from the council's Precept and that of the Joint Burial Committee, the council has received income in respect of cemetery fees, room hire and office rent, a VAT refund from HMRC, a wayleave payment from</p>

		<p>Northern Powergrid, donations towards "Project Loo" and the late Queen's Jubilee, a Jubilee trees grant, Jubilee ticket sales, Christmas market stalls, Love Howden and Do It For Yorkshire grants and sundry refunds.</p> <p>It was noted that cash income in respect of the Christmas Market was not banked and was used to meet sundry expenditure incurred for signage at the market. This is contrary to the Governance and Accountability Guide for Local Councils, which states that "Cash and cheques should be entered into the cash book on the date of receipt and banked promptly and intact (i.e. without any of the cash being kept back for spending)", the Clerk has confirmed that all future income will be banked intact in accordance with this requirement.</p> <p>I have checked and agreed a large sample of cemetery fees to the previous fee structure and the revised charges agreed by the Burial Committee on the 9th November 2022. During the year the council also received income in respect of advertising at the cemetery. The charge for this, however, is not included on the council's approved scale of charges. Room hire charges received during the year agree to the scale of charges agreed by the RAM Committee held on the 9th November 2021 and re-approved by RAM on the 8th November 2022. The council has now drawn up new 3-year leases for both the upstairs and the downstairs rooms. I have agreed the VAT refund to the accounting system for 2021/22. A sample of other income in respect of wayleaves, grants and refunds has been agreed to supporting documentary evidence. A large sample of income in respect of the Christmas market and Love Howden has also been checked and agreed to the cash book and the bank and the spread sheets maintained by the Town Centre and Events Officer.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council's charge for advertising at the cemetery should be added to the HJBC fees for transparency and audit purposes.
7	Were petty cash payments appropriate and supported by receipts?	<p><u>Appropriate petty cash controls</u></p> <p>Findings</p> <p>The council does not maintain a petty cash system.</p>

	<p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</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>
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>With one exception, 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 which are still current. The gross pay for one employee has been incorrectly calculated for March 2023. During the audit, this was brought to the attention of the council's payroll provider and the calculation for March (and April 2023, which was also incorrectly calculated) was re-calculated to correct the error.</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>It is noted that the council is now paying a pension contribution to a member of staff in accordance with the employee's contract terms and conditions.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The shortfall in pay for an officer of the council, in respect of March and April 2023, should be paid with the May salaries.

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. It was reviewed by council on the 15th May 2023.</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. New assets purchased during the year have been added to the register using the correct method of valuation.</p> <p>The total value of council assets of £275,655, 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</p> <p>The council maintains two bank accounts: a Current Account with the Co-operative Bank and an NS & I Investment Account.</p> <p>The council's NS & I account is separately identified in the accounting system. However, as previously reported, the monthly RBS bank reconciliation statement for this account is not printed out each month because NS & I only provide a statement when there is movement on the account and at the year-end. The Clerk has confirmed that there is no online facility on this account to enable an up to date statement to be accessed and printed. This results in a weakness in one of the council's key internal financial control systems.</p> <ul style="list-style-type: none"> ➤ Following the Interim Audit, the RAM Committee on the 14th of March 2023, resolved to require formal RAM Committee approval to withdraw funds from the council's NS&I account, prior to a letter, signed by two signatories, being sent to the bank requesting the withdrawal. This methodology provides some degree of increased internal control and, it is noted that, following any withdrawal from the NS&I account, a statement for confirmation and record purposes is provided by the bank.

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</p> <p>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 31/03/23, and the total value of cash declared in box 8 agrees to the year-end bank reconciliation.</p> <p>The 2022/23 Interim Internal Audit Report was presented to and approved by council on the 20th July 2022. The minutes confirm that the report was received and accepted.</p>
12	<p>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>	<p><u>Exemption Certificate</u></p> <p>Findings</p> <p>The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
13	<p>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>	<p><u>Exercise of Public Rights</u></p> <p>Findings</p> <p>I have confirmed by a review of the council's website that, during the summer of 2022, 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?	<u>Publication Requirements</u> Findings I have reviewed the council's website and confirmed that the council published the correct documents as required by the Accounts and Audit Regulations 2015.
15	Has the council met its responsibilities as a Trustee?	<u>Trustee responsibilities</u> Findings I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed that this is the case.

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 excellent and the consideration and adoption of the above recommendations and advisory note 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 2022.

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

15th May 2023

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