

# *Public Sector Audit*

## Howden Town Council

### *Internal Audit Report for the year ended 31 March 2024*

*Public Sector Audit*

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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 2024. 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 council's accounting records are maintained on a computerised system by Rialtas 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 the Current and Investment Accounts are in agreement.</p> <p>The council's 2023/24 accounts have been prepared on an income and expenditure basis, as required by the External Auditor.</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>At the council meeting held on the 21st March 2023, the council received the minutes of the Resource and Asset Management (RAM) Committee held on the 14th March and approved Standing Orders. On the 21<sup>st</sup> March, the council also reviewed and approved Financial Regulations, which were updated in respect of incurring expenditure on the NS&amp;I Investment Account.</p> <p>During April 2024 NALC published revised Financial Regulations.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council should review and adopt the revised NALC Financial Regulations, amended as appropriate to suit the council's requirements for tendering, quotations and estimates, etc.</li> </ul>

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><b>Findings</b></p> <p>I have tested a large sample of payments from April 2023 to March 2024 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 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 to provide an audit trail and for transparency purposes.</p> <p>I have reviewed payments for completeness, accuracy, the correct year of account and compliance with Financial Regulations.</p> <ul style="list-style-type: none"> <li>➤ 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. During the year all contracts are in-date with the exception of the contract for open spaces. This contract was due for consideration in December 2023, but it was not known at that time whether the contractor was retiring. He has not done so and, as the total annual cost of this work exceeds the de-minimus figure in Financial regulations, the review of this contract was considered. Amenities Committee on the 23<sup>rd</sup> February 2024 agreed to suspend FR's to continue for one more year and then re-tender for April 2025 to March 2026.</li> </ul> <p>I have checked and confirmed that VAT has been correctly identified and recorded in the accounting system for reclaim from HMRC.</p> <p>A code for s.137 expenditure has correctly been included in the accounting system. A total of £12,132.62 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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		<ul style="list-style-type: none"> <li>➤ It is noted that the council formally adopted the General Power of Competence at the meeting held on the 12th December 2023. Expenditure that would normally be coded to s.137, such as donations to registered charities and expenditure for which the council has no other statutory power, will continue to be allocated to s.137.</li> </ul> <p>The Clerk has confirmed that no cheques were issued during the year.</p> <p>It is noted that the terms and conditions of the use of the council's Debit card has not been formalised by the council and issued to the Clerk.</p> <p>On 26 October 2023, the Levelling-up and Regeneration Act (the 2023 Act) received Royal Assent. Section 82 of the 2023 Act amends the Local Government Act 1894 (the 1894 Act) by inserting a new section 19A into the 1894 Act. Section 19A came into force on 26 December 2023.</p> <ul style="list-style-type: none"> <li>➤ The government's view is that its amendment, in the form of section 19A, clarifies that the 1894 Act does not affect the discretionary powers of parish councils in England to fund church repairs or improvements or property held for an ecclesiastical charity.</li> <li>➤ Councils will, therefore, need to consider requests in respect of church property or property held for an ecclesiastical charity as they would any other funding request. Funding powers, further to section 19A of the 1894 Act coming into force, are discretionary. Town and Parish Councils are not under any additional duties as a result of the 2023 Act and the insertion of section 19A to the 1894 Act.</li> <li>➤ NALC's previous view on this subject (as set out in Legal Briefing L01-18 – financial assistance to the church) was that only explicit local council powers could override the prohibition in the 1894 Act to fund churches. NALC is now, therefore, withdrawing Legal Briefing L01-18, further to the Government's amendment as per section 19A which came into force on 26 December 2023. NALC has updated and reissued Legal Topic Note 31E to remove references to the prohibition, which will no</li> </ul>
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		<p>longer apply since section 19A came into force. A further advice note, LO2-23, was issued by NALC on the 20th December 2023, which provides additional clarification on this subject.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The Council should establish a formal document that identifies the terms and conditions of use for the Debit card. The document should be agreed by council and issued to the Clerk; the Clerk should then sign the document confirming agreement to comply with the terms and conditions of use and it should be maintained on file for record purposes. The Clerk should also be provided with a copy of the signed agreement.</li> <li>● The council should take note of the change in the legal position in relation to the funding of church repairs, or improvements or property held for an ecclesiastical charity, since the introduction of the Levelling-up and Regeneration Act 2023.</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>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><b>Findings</b></p> <p>The council continues to maintain 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 has developed a Risk Management Scheme which incorporates all the council's financial risks, asset management, legal, Health &amp; Safety, reserves and council meetings. The Scheme was presented to and approved by council on the 21st November 2023 and is presented to each meeting of the RAM Committee for review and approval.</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 twice each year, in addition to any one-off assessments when necessary. It is noted that the present advisor is retiring and the council is currently seeking an alternative person to take on the role.</p>

		<p>Detailed inspections 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. The inspections are undertaken monthly; the 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. In the event of urgent action being required, the Clerk has delegated powers to act and report to council retrospectively.</p> <p>The council also contracts with The 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. It is noted that 2024/25 is the last year of the current Long-Term Agreement.</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. The Clerk has confirmed that whilst working from home 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 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><b>Findings</b></p> <p>The council agreed a Precept of £224,380.77 for 2023/24 at the meeting held on the 17th January 2023. A detailed budget setting document was prepared which identified actual expenditure from April to December 2022 and anticipated expenditure for January to March 2023. The budget setting document includes expenditure for the Burial Committee; the Burial Committee, however, does not include possible income for the cemetery within the budget setting document. 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 two-month budget monitoring report, to the end of May, was presented to the RAM Committee on the 11th July 2023. A second report, to the end of July, was reviewed by the RAM Committee on the 5th September 2023. A full finance review for 2023/24 and Budget Plan 2024/25 was provided to RAM on the 9th January 2024 and a budget and Precept for 2024/25 was agreed.</p> <p>The council's 2023/24 budget setting process provided for a level of general reserves of 3 months net revenue expenditure, as recommended by the Government for a council the size of Howden Town Council.</p> <p>The council's balances totalled £172,006 as at the 31st March 2024. The total comprises earmarked reserves of £73,651 (Total Earmarked reserves of £130,615 less a Contingency Reserve of £57,000) and a general reserve of £98,355 (£172,006 less £73,651). The general reserve equates to 38% of the current year's budget of £256,383 and is adequate and prudent for a council the size of Howden Town Council. It is noted that during 2024/25 additional funds will be allocated to the Joint Burial Board Savings Reserve Account to provide for the ongoing commitment of the Churchyard.</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><b>Findings</b></p> <p>The council's 2023/24 Precept has been received in two instalments of £112,190.39 on the 28th April and £112,190.38 on the 29th September 2023; these agree to the ERYC remittance advices, the accounting system and bank statements.</p> <p>Apart from the council's Precept and the contribution from 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, ERYC grants, Howden Allotment Society, a wayleave payment from Northern Powergrid, Christmas market stalls and sponsorship of the Santa Sleigh and Santa's Grotto tickets and bank interest. All income checked has been agreed to approved scales of charges and council minutes, invoices and the council's accounting system.</p> <p>I have checked and agreed cemetery fees to the fee structure agreed by the Burial Committee on the 9th November 2022.</p>

		<p>Room hire charges received during the year agree to the scales of charges agreed by the RAM Committee held the 8th November 2022 and the 14th November 2023.</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. The annual charge to the Allotment Society is noted on the periodical receipts document but the date that this was last agreed by the council is not known.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The annual charge to the Allotment Society should be reviewed by council, whether it is changed or not, to facilitate the completion of the Internal Audit Certificate which requires me to confirm that "Expected income was fully received, based on correct prices".</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 council does not maintain a petty cash system.</p> <p>Small items of sundry expenditure incurred by the Clerk and the Town Centre and Events Officer and, occasionally Councillors, 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</p>	<p><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>All council employees have contracts of employment with clear terms and conditions of employment. I have agreed the gross pay for each employee for April 2023 to March 2024 in accordance with the existing contracts of employment, a new contract for one member of staff and the current 2023/24 NJC pay scales.</p>

	<p>in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</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>The External Auditor requires me to check that the correct employers' pension percentage contribution has been applied. I have confirmed that the council's payments to the pension provider, following an adjustment in March in respect of a change in pay scale and the NJC pay settlement, are in accordance with the Contract of Employment.</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><b>Findings</b> The council's Asset Register is maintained in a spreadsheet format and is reviewed at each RAM Committee.</p> <p>The register is updated as necessary during the year to reflect any purchases or deletions. 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 £340,722, per the Asset Register at the 31st March 2024, 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><b>Findings</b> The council maintains two bank accounts: a Current Account with the Co-operative Bank and an NS&amp;I Investment Account.</p> <p>The RBS accounting system automatically produces monthly bank reconciliation statements. These are presented to each Town Council meeting together with the respective Co-operative bank statements, and NS&amp;I statement when available. The reconciliations and the respective bank statements have been signed by the Chairman to confirm that they are in agreement. I have also checked and confirmed that the balances on the reconciliations agree to the respective bank statements balances.</p>

		It is noted that the interest received from NS&I is considerably less than is currently being paid by other banking institutions and, because of this, and to split funds between different banking institutions for security purposes, the RAM Committee is considering opening an account at an alternative institution during 2024/25.
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><b>Findings</b></p> <p>As noted in section one of this report, the year-end statements have been prepared on an Income and Expenditure basis and debtors and creditors have, therefore, been taken account of.</p> <p>The Accounting Statements agree with the cashbook and there is an audit trail from underlying financial records to the year-end statements. As a result of converting the basis of accounting from Receipts and Payments to Income and Expenditure during the year, the brought forward comparative figures from the previous year have been restated, as required by the External Auditor.</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 31/03/24 and the total value of cash declared in box 8 agrees to the year-end bank reconciliation.</p> <p>The 2023/24 Interim Internal Audit Report was presented to and approved by RAM Committee on the 14th November 2023. The minutes confirm that the report and action plan were received and agreed.</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><b>Findings</b></p> <p>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><b>Findings</b></p> <p>I have confirmed by a review of the council's website that, during the summer of 2023, 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><b>Findings</b></p> <p>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><b>Findings</b></p> <p>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 Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is excellent and the consideration and adoption of the above recommendations and advisory note 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 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*

13<sup>th</sup> May 2024

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