
**Internal Audit Report
For
Beverley Town Council**

**Financial and Governance Management
BTC 20/01**



	Page
Section 1: Executive Summary	1
Section 2: Audit Background, Objectives, Scope and Circulation	12
Section 3: Schedule of Findings and Recommendations	15
Appendix 1: Key to Internal Audit Reports	37

Report Author: Kim Betts/John Barnett
Report Version: Final
Report Date: 3 July 2020

GUIDANCE NOTES

The findings and recommendations can be found at section 3 of this report on page 15.

The "Management response" column is the Council's response and action plan to address the issues raised.

Some of these actions have already been completed, others have a target date by which work on remedial action will have commenced.

All remedial actions will be complete by the end of 2020 at the latest.



Objective

The objective of the review was to gain assurance that the financial and governance systems in place were robust and follow appropriate guidance.

Overall Opinion

<p>Limited</p>	<p>This audit was commissioned by the Beverley Town Council Personnel Committee in response to a series of issues and concerns raised by a current and former Councillor. These issues challenged whether Beverley Town Council operates in line with all the legislation and guidance produced for Town and Parish Councils with regards to financial and governance arrangements. Efforts had been made by Officers and the Personnel Committee to resolve the issues with the complainants.</p> <p>From the body of this report it can be determined that our testing has identified that Beverley Town Council does not fully comply with the National Association of Local Councils (NALC) guidelines for Finance and Transparency and with the Joint Panel on Accountability and Governance (JPAG), Governance and Accountability for Smaller Authorities in England and Wales.</p> <p>This report explains the aim of our testing, provides positive assurance where we were satisfied with the outcome of our testing but also explains where concerns remain for which recommendations have been made.</p> <p>In line with our Audit Opinion levels as defined within Appendix A of this report, a 'limited' assurance rating has been given on the current arrangements in place. Our testing upholds a number of the issues raised by the complainants but also highlights additional concerns over the financial and governance processes in place within the town council.</p>
-----------------------	---



Assurance on Key Control Objectives

Control Objective	Review Highlights (✓ Positive Assurance, ! Action Required, - Comment)	Assurance Level	Recommendations (Priority)		
			Major	Moderate	Minor
Financial and governance systems are operating in-line with appropriate guidance and robust Risk Management and Business Continuity arrangements are in place.	<p>1.1 Purchase Orders <i>NO PURCHASE ORDERS ARE BEING ISSUED. There is therefore no tracking of contractual obligations, or ability to match invoices to purchase orders, a key anti-fraud measure. It is also not possible to make meaningful accruals at year end. The internal auditor did not make reference to this in his report last year. This appears to be directly contrary to Financial Regulation 10.1.</i></p> <ul style="list-style-type: none"> ✓ Although official purchase orders have not been previously used there was an adequate 'paper' trail and scrutiny to support purchases. ! Although there is software in place, as part of the RBS system, which will facilitate the raising of orders, officers are still receiving training in its use. <p>1.2 Asset Register <i>Asset register is not published online (requirement to publish detail of Land Assets under Transparency Code) Many assets are on the register without a value. The JPAG Practitioners Guide gives explicit guidance on this.</i></p> <ul style="list-style-type: none"> ✓ Not all assets had been valued (purchase cost) within the Asset Register, although this had already been recognised by the Responsible Finance Officer (RFO) and corrected at the time of the audit. ! The Asset Register does not include a valuation for insurance purposes, in-line with the JPAG guidance. ✓ In accordance with the JPAG guidance paragraph 5.147, assets appear in the Asset Register with their original purchase cost, which is the figure used for Line 9 in the Annual Governance and Accountability Return (AGAR). ! Paragraph 5.149 gives the council the opportunity to reconsider their method of asset valuation. 	Limited	8	18	4



Control Objective	Review Highlights (✓ Positive Assurance, ! Action Required, - Comment)	Assurance Level	Recommendations (Priority)		
			Major	Moderate	Minor
	<p>2.1 Governance <i>Standing Orders need review; they contain alternative statements that are incompatible; one should be deleted (e.g. SO 3c). Financial Regulations as found were out of date. These (along with the Scheme of Delegation) form the basis of the council's constitution, and should take priority over all other policies.</i></p> <ul style="list-style-type: none"> ✓ Standing Orders were formally approved at Full Council on 24 February 2020 after amendment to paragraph 3c, following a query raised. ✓ Financial Regulations, based on guidance from NALC, have been adopted and were taken to Full Council on 24 February 2020. Councillors requested certain amendments which will be actioned and presented to Full Council for adoption. ! The town council has a Scheme of Delegation, which includes terms of reference for its committees. This document was last reviewed on 25 June 2018. ! A Register of Officers Interests is not in place. <p>2.2 Publication of Policies and Procedures <i>All policies and procedures should be published on the website; they are not currently.</i></p> <ul style="list-style-type: none"> ✓ Policies and procedures are now published on the Council's website in accordance with NALC guidance. ! There have been no Policy Committee minutes publicised on the website between the period 4 June 2018 and 15 July 2019 because meetings were not held as they were inquorate. Policy issues were considered by Full Council within this period. However, evidence could not be found that Full Council consider financial issues around budget monitoring. 				



Control Objective	Review Highlights (✓ Positive Assurance, ! Action Required, - Comment)	Assurance Level	Recommendations (Priority)		
			Major	Moderate	Minor
	<p>3.1 Banking and Internal Controls <i>£700k+ in a single institution is not good practice. £700+ in a non-interest bearing account is not good practice, and could lead to allegations of failure to protect public funds, especially if interest rates rise. The internal auditor did not recognise either of these issues.</i></p> <p>! The town council banks with a single institution with the majority of its finances in non-interest bearing accounts.</p> <p>✓ Having been instructed to by the council, officers are reviewing the town council's banking arrangements with a view to diversifying funds.</p> <p>3.2 Bank Statements <i>In cases where fraud has been discovered having gone undetected for some time, it is usually because matters have been taken on trust and accounting records not properly examined, particularly actual bank statements" – Good Councillors Guide to Finance and Transparency.</i></p> <p>✓ Bank Statements are provided for the Policy Committee for inspection. These are taken to all Policy Committee meetings. Bank Statements and reconciliations are discussed with the Chair of Policy in agenda preparation meetings.</p> <p>✓ Bank Statements are available to all Councillors upon request to examine within the finance folders.</p> <p>! Bank reconciliations and statements are taken to the Policy Committee for discussion and are signed off by the Chair and Town Clerk as a 'true document'. This is contrary to Financial Regulation 2.2.</p> <p>! There is no Fraud and Corruption Policy and Whistle Blowing Policy in place.</p>				



Control Objective	Review Highlights (✓ Positive Assurance, ! Action Required, - Comment)	Assurance Level	Recommendations (Priority)		
			Major	Moderate	Minor
	<p>3.3 Duplicate Payments <i>The Policy committee Minute 21/19 presented to Full Council on 25/11/19 contained a list of payments substantially at variance with those presented to Policy Committee for approval. See Cllr Pxxxxx's document regarding the withdrawal of these minutes for further details.</i></p> <p>✓ Due to a human error payments for 15 July 2019 were reported incorrectly. However, they were not actually paid twice.</p> <p>! The payments were reported to the Policy Committee on 14 October 2019 and the minutes subsequently approved. However, at the Policy meeting on the 11 November 2019 it was proposed and agreed that the minutes from the 14 October be amended to remove the duplicate payments.</p> <p>4.1 Budgeting and Reserves <i>We found 25 months general (unallocated) reserves on taking office, the Excel "reserves report" presented to Council in May/June did not agree with RBS, had different headings and double-accounted for some reserves.</i></p> <p>! Reserves have previously not been kept in accordance with the NALC and JPAG guidance.</p> <p>! £340,000 of reserves were equally 'earmarked' to four broad headings.</p> <p>4.2 Budget Process <i>The budget process did not account for non-precept income and reserves. This was the root cause of the excessive reserves. The precept last year (and in previous years) was set by simply totalling up all budgeted expenditure. This does not comply with Financial Regulations, The Practitioners Guide or the Good Councillors Guide.</i></p> <p>✓ There is a budget process in place to approve the budget for the following year, which is duly discussed and approved by Councillors.</p> <p>✓ The budget process for formulating the precept for any given year</p>				



Control Objective	Review Highlights (✓ Positive Assurance, ! Action Required, - Comment)	Assurance Level	Recommendations (Priority)		
			Major	Moderate	Minor
	<p>is covered by paragraph 5.9 of JPAG.</p> <p>! The precept for 2019/20 did not include relevant income, which is contrary to JPAG guidance and certain elements of income have been excluded from the precept calculation for 2020/21 without committee approval.</p> <p>4.3 Budget Spreadsheet <i>The budget spreadsheet still in use by the clerk does not correspond to RBS cost centre headings and codes, this makes it more difficult to track spend against budget, as it leaves room for interpretation of what headings in the spreadsheet land where on RBS.</i></p> <p>✓ Financial regulations require the council to receive details of all receipts and payments “under each head of the budget.”</p> <p>! Whilst the Council does receive a “detailed Income and Expenditure by budget heading report” as well as a spreadsheet showing details of all payments to be approved, there is currently no link between these two reports.</p> <p>5.1 Investments and Treasury <i>The council did not have an investments policy, despite having substantial reserves. This has been corrected, but getting the correct investment strategy is still a matter of ongoing debate.</i></p> <p>✓ There is now an Investment Strategy in place, which is due to be formally approved by the relevant committee.</p> <p>! The strategy makes no reference to ‘risk’.</p> <p>5.2 Bank Accounts <i>There are still a significant number of bank accounts being used to hold small pots of money for “specific” purposes (although the actual documentary evidence of what the money is restricted for seems sparse). This complicates accounting and adds to administrative burden and overhead. Treasury and Accounting are two different functions; there should be no need to maintain accounts for specific named purposes, that is what RBS is for. It complicates efforts to</i></p>				



Control Objective	Review Highlights (✓ Positive Assurance, ! Action Required, - Comment)	Assurance Level	Recommendations (Priority)		
			Major	Moderate	Minor
	<p><i>manage treasury risk.</i></p> <ul style="list-style-type: none"> ✓ There are separate Deposit, Business, Charity and 'lottery' bank accounts in place. ! There are other bank accounts in place for individual projects. <p>6.1 VAT <i>VAT – from the RFO's responses to the Internal Auditors points on VAT, I am not convinced we have the controls in place to reclaim VAT accurately on those parts of the councils activities where it may be reclaimed. There are particular areas of complexity around the resale of services and items that we need to adhere to. This is a complex area, and I would expect an external adviser to have been engaged to check the council's practices.</i></p> <ul style="list-style-type: none"> ✓ It was confirmed, through discussion with RBS, that VAT is configured within the RBS financial management system. ! The internal auditor reported within his report of 25 January 2020 that "care should be taken to ensure that the correct rate of VAT is recorded in the council's accounting systems for reclaim from HMRC purposes" ! A VAT 'health check' has not been undertaken. <p>7.1 & 7.2 Risk Management <i>Risk Assessments seem to be out of date and "template based" rather than a "living document.</i> <i>Risk Assessments do not include the risk of fraud or other financial wrongdoing.</i></p> <ul style="list-style-type: none"> ✓ Risk Assessments are carried out for projects and areas of business following an adopted methodology. ! There is no general Risk Management Framework in place for the town council to cover risks around the strategic aims and the risks associated with business continuity. ! Office processes are not documented to aid business continuity. 				



Control Objective	Review Highlights (✓ Positive Assurance, ! Action Required, - Comment)	Assurance Level	Recommendations (Priority)		
			Major	Moderate	Minor
	<p>8.1 Accounting Practice <i>The website contains misleading statements regarding the change in precept from 2017/18 to 2019/20 and the reason for the change.</i> ✓ The website publishes the precept for the relevant years in question. ! Although the precept amounts for 2018/19 and 2019/20 were published correctly on the website, the percentage increase was incorrect.</p> <p>8.2 Precept <i>The precept amounts on AGAR s3. (£267,469 both years) originally presented to Councillors were different to the numbers for 'income' on the Income and Expenditure account (£273,327 17/18 and £270,845 18/19).</i> ✓ The figure contained within the AGAR (£267,469) agreed to the precept value shown on the East Riding webpages for both 2017/18 and 2018/19. ! The committee decision was incorrectly stated, which confirms the following was resolved: "The 2018/19 budget was set at £267,649." These incorrect minutes were approved by Full Council on 19th February 2018. ! Complete budget monitoring reports are not presented to Full Council when approving the following years approved budget.</p> <p>8.3 Internal Auditor Recommendations <i>The Internal Auditors recommendations from section 6 of their report of 29 May had not been implemented by November 2019, namely:</i> a) Care should be taken to ensure that the income received from recharges of expenditure is coded to the same code that the expenditure was coded to. b) Separate income codes in RBS for the Food Festival and Christmas Food and Drink event would facilitate more efficient reconciliation of these events, from the cash and cheques received, to the accounting system and the bank.</p>				



Control Objective	Review Highlights (✓ Positive Assurance, ! Action Required, - Comment)	Assurance Level	Recommendations (Priority)		
			Major	Moderate	Minor
	<p><i>Both of these recommendations are valid and would have provided greater transparency in making objective decisions around events. Instead an Excel account was presented to Councillors for the food festival, which was missing 2 significant expenses and claimed as income the surplus funds generated by previous events.</i></p> <ul style="list-style-type: none"> ✓ We are told that the internal auditor's recommendations had been implemented operationally. ✓ Food Festival funds are accounted for separately in accordance with Lottery Funding guidelines. The RFO states "if and when surplus funds have been generated by previous food festivals or sponsorship it is held in the Food Festival bank account and ring fenced for future food festival/local food use. This is because the Field To Table account was a National Lottery local food funded project for specific use. <p>8.4 AGAR</p> <p><i>It is not clear to me how Section 1 of the AGAR could have been signed off by the Clerk and Mayor in June when Internal Audit findings are still outstanding in November.</i></p> <ul style="list-style-type: none"> ✓ Guidance supplied to Town and Parish Councils with regards to Assertion 7 of the Annual Governance Statement "We took appropriate action on all matters raised in reports from internal and external audit", states that this refers to reports produced during the prior year Auditor report. This would seem fair as the timeframe between the issuing of the Internal Audit report for 2018/19 (29th May 19) and the date the AGAR had to be submitted by (30th June 2019) is considered too tight for appropriate action to have occurred against any findings. ! Financial Regulation 1.13 states that the addressing of recommendations contained in either an Internal or external auditor report are a matter for the Full Council. 				



Control Objective	Review Highlights (✓ Positive Assurance, ! Action Required, - Comment)	Assurance Level	Recommendations (Priority)		
			Major	Moderate	Minor
	<p>8.5 Internal Auditor Recommendations 2017/18 <i>The recommendations and observations of the Internal Auditor for 2017/18 regarding Section D (Annual Precept Requirement) appear not to have been followed up.</i></p> <p>! The internal auditor reported “The council continues to hold significant balances and is recommended to continue, when practicable, to invest unused balances in interest bearing accounts.” – see Paragraph 4.1</p> <p>9.1 Internal Auditor Appointment <i>The internal auditor is a sole trader with very little internet presence to enable due diligence checks to be made. They are members of the Association of Accounting Technicians – this does not make them a professional accountant.”</i></p> <p>✓ The internal auditor was appointed following the NALC guidance which states that they must be ‘competent’ and ‘independent’. There is no requirement for them to be a professional accountant.</p> <p>! A review of the ‘effectiveness of internal audit’ under the JPAG guidance has not been carried out.</p> <p>9.2 Internal Auditor – Funds in Single Institution <i>The internal auditor did not recognise or report that over £750k of funds were in a single institution.</i></p> <p>! The current internal auditor did not officially raise the fact that funds were lodged with a single institution.</p> <p>! Councillors are ultimately responsible for the council’s financial arrangements.</p> <p>9.3 Internal Auditor - Purchase Orders <i>The internal auditor did not recognise that purchase orders were not being issued.</i></p> <p>! The current internal auditor did not officially comment, as ‘best practice’, that official purchase orders should be raised. See paragraph 1.1</p>				



Control Objective	Review Highlights (✓ Positive Assurance, ! Action Required, - Comment)	Assurance Level	Recommendations (Priority)		
			Major	Moderate	Minor
	<p>9.4 Internal Auditor - Budget Process 2018/19 <i>The internal auditor described the incomplete Budgeting Process described at item 4 in the following terms "The Council prepared a detailed annual budget in support of its 2018/19 precept.</i> - See paragraphs 4.2 and 4.3.</p> <p>9.5 Internal Auditor <i>Given the above issues, I do not understand the resistance to replacing the Internal Auditor I am experiencing.</i> ✓ The internal auditor has completed and signed off the AGAR in accordance with his remit. ! A number of issues identified within this audit have not been officially raised by the internal auditor as 'good practice'. However, areas of risk and governance identified were presumed to be outside the internal auditors remit.</p> <p>10.1 External Audit <i>External Audit provides very little information and seems very restricted in scope.</i> ! Littlejohn will have their own working methodology for satisfying themselves on the accounting records of Town and Parish Councils, which may appear limited to councillors but should be sufficient enough to allow Littlejohn to satisfy their own requirements.</p>				
Overall		Limited	8	18	4



Background Information

Beverley Town Council was formed in 1999 and is represented by fourteen Councillors and a Town Clerk who is supported by a small team of staff.

A local council is a corporate body, a separate legal entity from its members, and a local authority. Therefore its decisions are the responsibility of the whole council and all councillors share collective responsibility for the financial management of the council.

Local councils have been given statutory powers by government including the authority to raise money through taxation (the precept) and a range of powers to spend public money. Financial rules and procedures set by government through various statutes and regulations are designed to protect the council and ensure that it takes no unacceptable risks with public money. The rules protect community assets and aim to make best use of public money.

Local councils are required to comply with “proper practices”, which have statutory force and are set out in “Governance and Accountability for Smaller Authorities in England”. Every local council is required to make suitable arrangements for the proper administration of its financial affairs, taking responsibility for ensuring that its financial management is adequate and effective, which makes the financial management and regular financial checks one of the most important tasks for the council and councillors.

This audit is at the request of councillors to substantiate allegations made that the Beverley Town Council is not operating in line with the National Association of Local Councils (NALC) guidelines for Finance and Transparency and is not compliant with the Joint Panel on Accountability and Governance (JPAG), Governance and Accountability for Smaller authorities in England and Wales.

Key Risks

The key risk associated with this area if appropriate controls were not in place is:

- Financial and governance systems are not robust and open to abuse with a subsequent effect on the stability of the town council.

Objectives & Scope

The objective of the review was to gain assurance that the financial and governance systems in place were robust and follow appropriate guidance. In order to meet this objective, the audit focused on the issues raised and compliance with regulation.



Methodology

The objectives of this review were achieved by:

- Discussions with key staff and councillors to gain an understanding of the systems and ascertain the controls in place;
- Identifying the key risks and mitigating measures in place to ensure that controls in place are effective;

Limitations

The report is based on the review work undertaken and is not necessarily a complete statement of all weaknesses that exist or potential improvements. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, no complete guarantee or warranty can be given with regard to the advice and information contained. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Where information resulting from audit work is made public or is provided to a third party by the client or by Audit Yorkshire then this must be done on the understanding that any third party will rely on the information at its own risk. Audit Yorkshire will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Audit Yorkshire in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.



Report Circulation

Draft	Final	Recipient Name	Recipient Title
✓	✓	Cllr Denis Healy	Chair of Personnel Committee
✓	✓	Cllr Linda Johnson	Chair of Policy and member of the Personnel Committee
✓	✓	Cllr Peter Astell	Chair of Planning, Property and Services, and member of the Personnel Committee
✓	✓	Cllr Duncan Jack	Mayor of Beverley and member of the Personnel Committee
✓	✓	Helen Watson	Town Clerk

Acknowledgement

The auditors are grateful for the assistance received from councillors and staff during the course of this review. The following members of the Audit Yorkshire team were involved in the production of this report:

Head of Internal Audit: Helen Kemp-Taylor
 Audit Manager: Kim Betts
 Associate Internal Auditor: John Barnett

Date: 3 July 2020



Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p>1.1 Purchase Orders</p> <p>Beverley Town Council's Financial Regulations 10.1 state:- <i>"an official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained"</i>.</p> <p><i>JPAG (para 5.36)</i> <i>As far as possible, a fully priced official order should be sent to suppliers in advance of delivery of goods. Official orders both commit a supplier to a price and help prevent unauthorised credit being granted in the authority's name. On receipt of invoices, verification that the relevant goods or services have been received should be obtained and invoices checked to ensure that the arithmetic is correct, agreed discounts have been deducted and everything is acceptable regarding reclaiming the VAT. Practitioners should keep up to date with VAT Guidance issued by HM Revenue and Customs.</i></p> <p>Although there is software in place, as part of the RBS system, which will facilitate the raising of orders, officers are still receiving training in</p>	<p>Expenditure is not identified with a negative effect on the financial monitoring and decision making processes.</p>	<p>1. Best Practice Officers are receiving training on RBS to utilise the 'purchase order' module from April 2020. Although not officially required, it is good financial practice to use official orders to facilitate good financial practice.</p>	<p>Moderate</p>	<p>Purchase orders on expenditure to be issued in advance of delivery of goods and services.</p>	<p>Responsible Finance Officer</p>	<p>Completed</p>



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
its use.						
<p>1.2 Asset Register</p> <p>Not all assets had been valued (purchase cost) within the Asset Register, although this was corrected at the time of the audit.</p> <p>The Asset Register does not include a valuation for insurance purposes, in-line with NALC - Good Councillors to Finance and Transparency (Transparency Code) – <i>“The council should maintain an asset register listing all the assets it owns. This should record the date and cost of acquisition, and a value for insurance purposes”</i>.</p> <p>In accordance with the Joint Panel on Accountability and Governance (JPAG) guidance (paragraph 5.147) <i>“assets appear in the Asset Register with their original purchase cost – the figure used for Line 9 in the Annual Governance and Accountability Return (AGAR).”</i></p> <p>Paragraph 5.148 of the JPAG states <i>“For authorities covered by this Guide, an appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at</i></p>	<p>The ‘business’ is under/overvalued within the accounts.</p>	<p>2. Best Practice The working document for the Asset Register should include the insurance value of assets as well as acquisition cost, in line with guidance.</p> <p>3. Best Practice A ‘true’ valuation of assets is not shown within the working document for the Asset Register although an insurance valuation would give an indication. If councillors consider a ‘true’ valuation would be more appropriate then the valuation methodology can be changed in line with JPAG paragraph 5.149.</p>	<p>Moderate</p> <p>Minor</p>	<p>The working document that supports the Asset Register to include the insurance value of assets as well as the acquisition cost</p> <p>As above</p>	<p>Responsible Finance Officer</p>	<p>1 August 2020</p>



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p><i>acquisition cost. This means that in most circumstances once recorded in the asset register, the recorded value of the asset will not change from year to year, unless the asset is materially enhanced. Commercial concepts of depreciation, impairment adjustments, and revaluation are not required or appropriate for this method of asset valuation. For reporting purposes therefore, the original value of fixed assets will usually stay constant throughout their life until disposal.</i></p> <p><i>However paragraph 5.149 states “ If for some reason the authority decides that the basis of valuation should be changed, the change must be applied consistently to all relevant classes of fixed assets. In such an event, the value shown in Line 9 for the previous year should also be changed to the new basis and clearly marked as ‘RESTATED’. Non-cash movements such as revaluation or depreciation must not be included in lines 3 or 6 of the Annual Governance and Accountability Return. The authority should provide a justification and explanation for the change in the basis of reporting, which should be recorded in the minutes of the</i></p>						



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<i>authority.”</i>						
<p>2.1 Governance</p> <p>The Town Council has a Scheme of Delegation, which includes terms of reference for its committees. However, this document was last reviewed on 25th June 2018.</p> <p>A Register of Officers Interests is not in place.</p>	<p>Governance arrangements are not robust which could have a detrimental effect on the financial and reputational risks of the town council.</p>	<p>4. Mandatory The Scheme of Delegation should be reviewed in line with the recent review of Financial Regulations and Standing Orders.</p> <p>5. Best Practice In accordance with good governance officers should declare an interest they may have in any activity of the town council by completing a Register of Interest declaration. This should be approved by the appropriate committee and reviewed on an annual basis.</p>	<p>Moderate</p> <p>Moderate</p>	<p>The Scheme of Delegation is currently being amended to service the needs of the new council.</p> <p>Audit Yorkshire to provide examples for Councillors to consider</p>	<p>Responsible Financial Officer</p> <p>Committee Chairs</p> <p>Clerks</p> <p>Clerk / Deputy Clerk</p>	<p>31 December 2020</p> <p>1 September 2020</p>
<p>2.2 Publication of Policies and Procedures</p> <p>There have been no Policy Committee minutes publicised on the website between the period 4 June 2018 and 15 July 2019 because meetings were not held as they were inquorate. Policy issues were considered by Full</p>	<p>Non-compliance with guidance/legislation.</p>	<p>6. Mandatory The council should ensure that governance processes within the council are in place and robust.</p>	<p>Moderate</p>	<p>Non-compliance of guidance/legislation by the previous town council is duly noted and the RFO and councillors will all ensure that the new</p>	<p>Chairman of the Council</p> <p>Policy Chair & Vice Chair</p> <p>Responsible Financial</p>	<p>Ongoing</p>



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
Council within this period. However, evidence could not be found that Full Council considered financial issues around budget monitoring within this period.				robust monitoring processes will prevail	Officer	
<p>3.1 Banking and Internal Controls</p> <p>Whilst it may be standard practice to hold savings in one institution, the level of cash held is significant and the town council appears to have failed to consider the risk. If the current institution was to 'fail', under the Financial Services Compensation Scheme the first £85k would only be protected. Councillors therefore need to consider their risk appetite for their cash deposits and to conduct business accordingly.</p> <p>NALC states:- <i>"the council should have a bank current account for its day to day banking requirements either with one of the traditional high street providers, or a smaller community orientated bank. The council may also have separate interest bearing bank accounts to hold funds either for general reserves or ear-marked reserves for specific</i></p>	Failure of the 'business'.	<p>7. Mandatory</p> <p>It is important that financial risk is 'spread' over a number of institutions. Continued efforts should be made to invest balances into interest bearing accounts and to capture the associated risks within the town councils risk register.</p>	Major	The current ongoing work, already identified by the Policy Committee and Full Council to diversify bank accounts, needs to be completed with the risk spread across interest bearing accounts with different financial institutions	Responsible Financial Officer Policy Chair & Vice Chair	1 October 2020



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p>projects. The RFO is responsible for setting up the banking arrangements as approved by the council.”</p> <p>The RFO is currently looking to diversify bank accounts and establish interest bearing accounts.</p>						
<p>3.2 Bank Statements</p> <p>Bank reconciliations and statements are taken to the Policy Committee for discussion and are signed off by the Chair and Town Clerk as a ‘true document’. However, Financial Regulation 2.2 states:- <i>“on a regular basis, at least once in each quarter and at each financial year end, a member, other than the chairman or a cheques signatory, shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements or similar document’ as evidence of verification. This activity shall on conclusion be reported, including any exceptions to, and noted by the councils Policy Committee”.</i></p>	<p>Undermining the governance arrangements of the town council which could lead to poor decision making.</p> <p>Counter fraud and corruption arrangements are not in place leaving the town council open to ‘abuse’.</p>	<p>8. Mandatory Members should consider their compliance with Financial Regulation 2.2 which does not require the Policy Committee to examine bank reconciliations and statements but to ‘just note’ that the reconciliations have taken place by a member of the committee, other than the Chairman and/or cheque signatory.</p>	<p>Moderate</p>	<p>Ensure that reconciliations have taken place by a member of the Policy Committee other than the Chair or cheque signatory.</p> <p>Ensure new financial regulations include the appointment of a verifier for bank reconciliations at least quarterly and at the end of the financial year other than the Chairman. New NALC model financial regulations due to be immediately adopted allow for the removal of the requirement for a verifier to be someone who is not a cheque</p>	<p>Policy Chair & Vice Chair</p> <p>Responsible Financial Officer</p>	<p>Ongoing</p>



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
There is no Fraud and Corruption Policy and Whistle Blowing Policy in place.		<p>9. Best Practice As part of good governance the town council should consider putting in place a Fraud and Corruption Policy and Whistle Blowing Policy.</p>	Moderate	<p>signatory.</p> <p>The council will introduce a Fraud and Corruption Policy and Whistleblowing Policy.</p>	<p>Policy Chair & Vice Chair</p> <p>Responsible Financial Officer</p>	1 October 2020
<p>3.3 Duplicate Payments</p> <p>Due to human error payments for the 15 July 2019 were duplicated when reported to the Policy Committee. However, they were not actually paid twice.</p> <p>The payments were reported to the Policy Committee on 14 October 2019 and the minutes subsequently approved. However, at the Policy meeting on the 11 November 2019 it was proposed and agreed that the minutes from the 14 October be amended to remove the duplicate payments before submission to Full Council on 25 November 2019.</p> <p>This is contrary to best practice and the Local Government Act 1972 Schedule 12 which states "<i>minutes of the proceedings of a meeting of the local authority shall be drawn up and entered in a book kept for</i></p>	Non-compliance with legislation which could lead to a reputational and financial risk.	<p>10.Mandatory Town council minutes should be submitted in their entirety and not deleted at a future date.</p>	Major	<p>Councillors to be reminded of the provisions of the Local Government Act 1972, Schedule 12 which governs the minutes of the proceedings of Council meetings.</p> <p>Committee Chairs and Chairman to ensure that previous minutes, once approved, are not subsequently amended. They should be checked for accuracy only, and heed the advice of the Clerk in future.</p>	<p>Chairman of Council</p> <p>Committee Chairs</p>	Immediate



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<i>that purpose and shall be signed at the same or next suitable meeting of the authority by the person presiding thereat and any minute purporting to be so signed shall be received in evidence without any further proof”.</i>						
<p>4.1 Budgeting and Reserves</p> <p>JPAG Paragraph 5.32 states:- <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 (3) and twelve (12) months Net Revenue Expenditure (NRE). Net Revenue Expenditure (subject to any planned surplus or deficit) is effectively Precept/Levy less any Loan Repayment and/or amounts included in Precept/Levy for Capital Projects and transfers to Earmarked Reserve. In practice, any authority with an NRE in excess of £200,000 should plan on 3 months equivalent General Reserve. In all of this it is important that each authority adopt, as a General Reserve policy, the level appropriate to their size and situation and plan their Budget so</i></p>	Official guidance is not followed leaving the town council open to scrutiny and reputational risk.	<p>11.Mandatory</p> <p>Reserves levels should be maintained in-line with guidance.</p>	Major	<p>The new Council has always stated that the inherited reserves are too high, but 10 years of accumulated reserve acquisition policy cannot be removed overnight.</p> <p>The new Council in its 20/21 budget had allocated reserves to a number of projects, although some of these have been delayed due to the Coronavirus pandemic.</p> <p>The new Council also reduced the Council Tax precept by 2% in its 20/21 budget.</p>	<p>Policy Committee</p> <p>Full Council</p>	Ongoing



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p><i>as to ensure that the adopted level is maintained. Changes in activity levels/range of services provided will inevitably lead to changes in the requisite minimum level of General Reserve in order to provide working capital for those activities.”</i></p> <p>On 24 June 2019 at an Extraordinary Full Council meeting, councillors resolved to allocate £85K to four broad categories (£340K in total from non-earmarked reserves) aligned to the Powers and Duties of a Town Council, namely Community Cohesion; Enterprise; Sustainability and Development.</p> <p>NALC, as well as bulletins issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), require that earmarked reserves should be put aside for specific projects and for a specific purpose. The allocation of reserves within these four broad categories therefore does not fully comply with this definition.</p>		<p>12.Mandatory The allocated reserves across four broad headings should be reallocated to specific projects.</p>	Major	Council has already resolved to allocate resolves against specific projects. It should continue to do this and dismantle the 4 headings of community cohesion, enterprise, sustainability and development	Policy Committee Full Council	Completed
<p>4.2 Budget Process</p> <p>The budget process for formulating the precept for any given year is</p>	The precept is under/over stated with a	<p>13.Mandatory Members should satisfy themselves that precepts</p>	Major	Responsible Financial Officer and Policy Chair will work together to	Policy Committee	Ongoing



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p>covered by paragraph 5.9 of JPAG which states:- <i>“The key stages in the budgeting process are:</i></p> <ul style="list-style-type: none"> - <i>decide the form and level of detail of the budget;</i> - <i>review the current year budget and spending;</i> - <i>determine the cost of spending plans;</i> - <i>assess levels of income;</i> - <i>bring together spending and income plans;</i> - <i>provide for contingencies and consider the need for reserves;</i> - <i>approve the budget;</i> - <i>confirm the precept or rates and special levies; and</i> - <i>review progress against the budget regularly throughout the year.”</i> <p>The precept for 2019/20 did not include income which is contrary to JPAG guidance and certain income heads have been excluded from the precept calculation for 2020/21.</p> <p>The budget for 2020/21 included</p> <p>a) Hanging Baskets – expenditure is contained within the precept. The income had previously been included in the draft budget but was removed in the final version</p> 	<p>financial and reputational risk and non-compliance with official guidance.</p>	<p>are calculated in accordance with legislation/guidance and substantiate the £16,750 transfer from reserves for the Food Festival within the 2020/21 budget.</p>		<p>ensure that the budgets are created in accordance with JPAG guidance.</p> <p>RBS training being undertaken</p>	<p>Policy Chair</p> <p>Full council</p> <p>Responsible Financial Officer</p>	



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p>but with no council resolution to do this. Precept is therefore overstated.</p> <p>b) Food Festival - Includes Christmas Food Festival and Field to Table, which were lottery funded. Lottery had stated any surplus could be used to re-run future food events therefore this should be ring-fenced and not be included within the precept calculations. For 2019/20 there was £3k expenditure within the budget but no income. For 2020/21 there is no budget but councillors have agreed to transfer out £16,750 from reserves. As this has nothing to do with the precept or the reserves it should be removed.</p>						
<p>4.3 Budget Spreadsheet</p> <p>Financial Regulation 4.8 requires the council to receive details of all receipts and payments “under each head of the budget.”</p> <p>Whilst the Council does receive a “detailed Income and Expenditure by budget heading report” as well as a spreadsheet showing details of all payments to be approved, there is currently no link between these</p>	<p>Decisions are based on incomplete or confusing information.</p>	<p>14. Best Practice</p> <p>The account code used on the RBS system as reported within the Detailed Income and Expenditure by Budget Holder report could be replicated on both the budget spreadsheet and the payments approval list in order to enhance the</p>	<p>Moderate</p>	<p>Through a combination of better utilisation of the RBS system and redesigned spreadsheets to provide the budget clarity, officers will provide councillors with information in more understandable formats.</p>	<p>Responsible Financial Officer</p>	<p>Ongoing</p>



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p>two reports.</p> <p>Financial Regulation 1.9 also states the Responsible Financial Officer (RFO) must produce financial management information as required by the council. As there has been a significant number of changes to the makeup of the council in the last year, it is not therefore unexpected that these requirements have changed.</p>		<p>audit trail and reflect the changes in the financial management information that councillors now require.</p>				
<p>5.1 Investments and Treasury</p> <p>There is an Investment Strategy in place, yet to be formally approved by committee. The strategy makes no reference to 'risk'.</p>	<p>Monies are poorly invested leading to financial loss.</p>	<p>15. Best Practice Consideration should be given to including a section within the strategy on investment risk which would include investment limits, categories of investment etc.</p> <p>16. Best Practice If monies are to be invested, consideration should be given to investing through the East Riding of Yorkshire Council (ERYC) to reduce costs and risk. This can be done through a Contract or Service Level Agreement.</p>	<p>Moderate</p> <p>Minor</p>	<p>A section to be included within the Policy on investment risk to include investment limits, categories of investment etc.</p> <p>Consideration will be given to conduct investment business through East Riding of Yorkshire Council (ERYC) to reduce costs and risk.</p>	<p>Policy Committee</p> <p>Policy Committee</p>	<p>1 August 2020</p> <p>1 October 2020</p>



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p>5.2 Bank Accounts</p> <p>This review identified there are 10 bank accounts held on RBS as follows:</p> <ul style="list-style-type: none"> • Current a/c • Deposit a/c • Events a/c • Beverley in Bloom a/c • Field to Table a/c • Youth Town Council a/c • Skatepark a/c • Christmas Lights a/c • Business Term Deposit a/c • Mayoral Charity Fund a/c <p>The use of a current and deposit account is expected in order for the council to conduct its business. Financial Reg 9.10 requires that all income relating to a charitable Trust should be paid into a charitable bank account and we are therefore satisfied with the use of a separate Mayoral Charity account. The Business Term Deposit account is also accepted as this is an interest bearing account containing a balance that is no higher than the FSCS deposit protection limit of £85k.</p> <p>We have been informed that the Field to Table account is separate</p>	<p>Accounting systems are overcomplicated with the risk that processes become burdensome and misinformation is presented to inform the decision making process.</p>	<p>17. Best Practice</p> <p>The Financial Regulations clearly state that the council is responsible in law for ensuring all financial management arrangements are adequate. We therefore recommend that Full Council considers the ongoing use of these separate bank accounts alongside any constraints within the RBS system that could prevent officers from reporting on these events separately.</p>	<p>Moderate</p>	<p>Council is currently considering how to address this. It has already been resolved to close the Skatepark account. Other accounts are also under review.</p>	<p>Policy Committee</p> <p>Full Council</p>	<p>Ongoing</p>



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p>as it relates to external funding, which seems reasonable.</p> <p>The other accounts are less understandable and the comments made by the Clerk indicate these have been set up in this way to allow the volunteer working groups to have access to a bank account, which enables them to apply for external funding. It is for Full Council to decide whether this practice should continue.</p> <p>Paragraph 1.14 of the Financial Regulations state that it is the council's responsibility to keep under review the bank mandate for all council bank accounts. Therefore the opening of these accounts must have received formal council approval at some point in the past.</p>						
<p>6.1 VAT</p> <p>VAT is configured within RBS financial management system. However, the internal auditor reported within his report of 25 January 2020 that <i>"care should be taken to ensure that the correct rate of VAT is recorded in the council's accounting systems for reclaim from HMRC purposes"</i>. He also</p>	<p>VAT is not dealt with in accordance with HMRC regulations with subsequent financial loss and penalties.</p>	<p>18. Best Practice</p> <p>It might be prudent to engage a VAT external advisor to review the VAT processes/configurations within RBS against the HMRC guidelines.</p>	<p>Moderate</p>	<p>Policy Committee will consider engaging a VAT external advisor</p>	<p>Policy Committee Responsible Financial Officer</p>	<p>1 October 2020</p>



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
verbally suggested that it would be advisable to employ an external advisor to review the VAT arrangements.						
<p>7.1 & 7.2 Risk Management</p> <p>The Transparency Code states:- <i>“the council should maintain a risk register which should be reviewed and updated every year as part of the annual governance review. The register should ideally specify and describe the risk, assess numerically the likelihood and the severity of the risk, which when multiplied together give a total risk score. The council should then look at any risk mitigation measures that are already in place, and any further measures that would further reduce the risk.”</i></p> <p>Risk Assessments are carried out for projects and areas of business following an adopted methodology. Contrary to NALC Transparency Code guidance these assessments should be carried out on an ongoing basis and used as a ‘live’ document.</p>	Risks are not identified leading to financial/reputational risk and poor decision making.	<p>19.Mandatory</p> <p>In line with NALC the council should maintain a risk register(s). However, these documents should be continually reviewed as a ‘live’ document and be a standing item on the appropriate committees agenda. The risk registers should be administered through a Risk Management Framework which has been duly approved by councillors. As well as the individual events/projects, risks should also be captured that would stop the council achieving its overall strategic aims/objectives and those events associated with business continuity.</p>	Major	In line with NALC the council will establish and maintain a risk register(s) that will be continually reviewed as a ‘live’ document and a standing item on the Policy Committees agenda.	Policy Committee Responsible Financial Officer	1 November 2020



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
There is no general Risk Management Framework in place for the town council to cover risks around its strategic aims and risks associated with business continuity.		20. Best Practice As part of business continuity it is good practice to document relevant procedures which are key to the business processes within the town council.	Moderate	The risk registers will be administered through a Risk Management Framework which will be duly approved by councillors. As well as the individual events/projects, risks will also be captured that would stop the council achieving its overall strategic aims/objectives and those events associated with business continuity.	Policy Committee Responsible Financial Officer	1 November 2020
8.1 Accounting Practice The website shows the 2018/19 precept as £267,469 and the 2019/20 precept as £296,106. The website states this is as 10.2% increase but in reality it computes out at 10.71%.	Publishing misleading statements.	21. Best Practice Care should be taken when populating the website.	Minor	Human error has been acknowledged and rectified.		Completed
8.2 Precept The figure contained within the AGAR (£267,469) agreed to the precept value shown on the East Riding webpages for both 2017/18 and 2018/19.	Budget approval decisions are inaccurately made based on uninformed budgetary	22. Best Practice Councillors should receive financial details of income and expenditure against each budget line so that they can determine	Moderate	The new RBS system will show financial details of income and expenditure against each budget line so that councillors can	Responsible Financial Officer	1 October 2020



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p>Internal Audit was provided with an A3 spreadsheet which showed the budget for each income and expenditure line since 2014/15. This showed the 2017/18 and 2018/19 precept value as £267,469</p> <p>The draft budget sheet that was presented to Policy Committee on 13th November 2019 showed income and expenditure figures for all years since 2015/16. Again, this showed the precept to be £267,469 for both years</p> <p>The 2017/18 budget was consistently shown in all documents seen by the auditor as £267,469. However the 2018/19 was less clear with parts of the budget being agreed at different Full Council meetings between October 2017 and January 2018. When the auditor pieced these all together, they totalled £267,469. However, the decision incorrectly stated in the formal meetings, was that the following was resolved: “The 2018/19 budget was set at £267,649.” These incorrect minutes were approved by Full Council on 19th February 2018.</p> <p>Complete budget monitoring reports are not presented to Full</p>	<p>information.</p>	<p>whether the budget has been correctly set. It would therefore be helpful if a budget vs actual report could be produced for the Full Council meeting in which the following year’s precept is being agreed.</p>		<p>determine whether the budget has been correctly set. RFO will be able to produce a budget vs actual report for full council on an ongoing basis</p>		



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
Council when approving the following years approved budget.						
<p>8.4 Annual Governance and Accountability Return (AGAR)</p> <p>Financial Regulation 1.13 states that the addressing of recommendations contained in either an Internal or external auditor report are a matter for the Full Council. It is for Full Council to collectively agree to the signing off of assertions within the AGAR.</p>	The council are not aware of risks identified with a detrimental effect on the decision making process.	<p>23.Mandatory</p> <p>Audit recommendations from previous audit reports should be brought back to Full Council periodically throughout the year with an action plan including implementation dates in order that councillors can satisfy themselves that a “yes” response on the AGAR is appropriate.</p>	Moderate	<p>Outcomes from the work completed by the Internal Auditor will be discussed in full at Policy Committee before being brought to Full Council. This additional challenge should satisfy ourselves that a “yes” response on the AGAR is appropriate.</p> <p>Officers believe we are already compliant with this.</p>	<p>Responsible Financial Officer</p> <p>Chair of Policy</p>	Immediate
<p>8.5 Internal Auditor Recommendations 2017/18 (4.1 refers)</p> <p>The internal auditor reported “The council continues to hold significant balances and is recommended to continue, when practicable, to invest unused balances in interest bearing accounts.” This was not followed up at the time.</p>	Areas of ‘risk’ are not mitigated.	<p>24.Best Practice</p> <p>Agreed internal audit recommendations should be implemented within agreed timescales.</p>	Moderate	The Council is addressing this issue as confirmed within audit recommendation number 10.	<p>Policy Committee</p> <p>Full Council</p>	Ongoing



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p>9.1 Internal Auditor</p> <p>A review of the 'effectiveness of internal audit' under the JPAG guidance has not been carried out.</p>	<p>Non-compliance with official guidance and or regulations.</p>	<p>25.Mandatory</p> <p>In accordance with JPAG guidance paragraphs 4.21 to 4.26. "An independent review should be carried out by councillors in accordance with the guidance and reported to Full Council on, at least, an annual basis". This is also a requirement of the Financial Regulations 1.5. This must be conducted at least once a year prior to the Annual Governance Statement being approved by the Council.</p>	<p>Moderate</p>	<p>RFO / Policy Chair to ensure that independent review of the internal audit is carried out.</p>	<p>Responsible Financial Officer</p> <p>Policy Committee</p> <p>Policy Chair</p>	<p>1 November 2020</p>
<p>9.2 Internal Audit – Funds in Single Institution (3.1 refers)</p> <p>JPAG states that "funds should be spread in interest bearing accounts wherever possible". This was not formally raised by the current internal auditor although it had been raised by the previous auditor in 2017/18.</p> <p>It is expected that internal audit inform the council of the risks they are carrying should that one</p>	<p>Failure of the business.</p>	<p>26.Mandatory</p> <p>Councillors should consider all facts known to them regarding risks and concerns and use these together with internal audit to direct officers on actions they need to take in line with Financial Regulation paragraph 1.13.</p>	<p>Major</p>	<p>The suggestion is that the internal auditor should have picked up on the issue of funds not being spread across different Institutions.</p> <p>Policy Committee to decide if this omission should be taken up with the internal auditor</p>	<p>Policy Committee</p> <p>Policy Chair</p>	<p>1 August 2020</p>



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
institution fold. However, councillors are ultimately responsible for the council's financial arrangements.						
<p>9.3 Internal Auditor - Purchase Orders (1.1 refers)</p> <p>The current internal auditor did not identify the risk of not raising official purchase orders.</p>	Expenditure is not identified with a negative effect on the financial monitoring and decision making processes.	<p>27. Best Practice</p> <p>This should have been raised as 'best practice'. However, the town council has recently been trained on the purchase order module for RBS and will be using it from the new financial year.</p>	Moderate	Policy Committee to decide if this omission should be taken up with the internal auditor	Policy Committee Policy Chair	1 August 2020
<p>9.4 Internal Auditor - Budget Process 2018/19 (4.2 and 4.3 refers)</p> <p>Weaknesses in the budgeting process have not been raised by the current or previous internal auditor.</p>	Budgets are not set in accordance with legislation.	<p>28. Mandatory</p> <p>The budget process is key to the financial management of the council and as such should be set in accordance with regulation.</p>	Major	<p>The suggestion is that the internal auditor should have picked up on the issue of the weaknesses in the budgeting process.</p> <p>Policy Committee to decide if this omission should be taken up with the internal auditor.</p>	Policy Committee & Chair	1 August 2020



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
<p>9.5 Internal Auditor</p> <p>A number of issues identified within this audit would not have been identified by the internal auditor because the general risk, governance and process environment were not reviewed.</p>	<p>A sound internal audit process is not in place leaving the council open to unnecessary risk.</p>	<p>29. Best Practice</p> <p>The town council should consider the remit for future audits to include governance and risk management and to be more process driven.</p>	<p>Moderate</p>	<p>Policy committee will give this due consideration.</p> <p>Policy committee to oversee and direct the appointment of the internal auditor</p>	<p>Policy Committee & Chair</p>	<p>1 August 2020</p>
<p>10.1 External Audit</p> <p>External Auditors for Local and Parish Councils are formally appointed by Smaller Authorities Audit Appointments Ltd (SAAA). Under the powers contained within Regulation 3 of the Local Audit (Smaller Authorities) Regulations 2015, SAAA conducted a tender process for an external auditor to be appointed for smaller authorities including parish and town councils, in 37 areas including Humberside and East Riding of Yorkshire. The winner bidder was PKF-Littlejohn who has secured a 5 year contract from 2017/18. Littlejohn will have their own working methodology for satisfying themselves on the accounting records of Town and Parish Councils, which may appear limited to councillors but should be</p>	<p>N/A</p>	<p>30. The Town Council does not have any powers to appoint its own external auditors. However if councillors are unhappy with the service being provided then contact should be made directly with their allocated external auditor to determine whether any additional assurances/information can be provided to them.</p>	<p>Minor</p>	<p>As stated, the Town Council does not have any powers to appoint our external auditors. Should councillors state their unhappiness with the current provider, contact should be made directly with our allocated external auditor.</p> <p>Policy Committee to decide whether to contact the external auditor on any issues raised in this report</p>	<p>Policy Committee & Chair</p>	<p>1 September 2020</p>



Section 3: Schedule of Findings and Recommendations

Finding	Risk	Recommendation	Priority	Management Response	Responsible Officer	Target Date
sufficient enough to allow Littlejohn to satisfy their own requirements.						



Audit Opinion

The following opinions provide management assurance in line with the following definitions:

Opinion Level	Opinion Definition	Guidance on Consistency
<p style="text-align: center;">High (Strong)</p>	<p>High assurance can be given that there is a strong system of internal control which is designed and operating effectively to ensure that the system's objectives are met.</p>	<p>The system is well designed. The controls in the system are clear and the audit has been able to confirm that the system (if followed) would work effectively in practice. There are no significant flaws in the design of the system.</p> <p>Controls are operating effectively and consistently across the whole system. There are likely to be core controls fundamental to the effective operation of the system. A High opinion can only be given when the controls are working well across all core areas of the system. For example with 'Debtors' the controls over identifying income, raising debt, recording debt, managing debt, receiving debt, etc. are all working effectively – there are no serious concerns. Note this does not mean 100% compliance. There could be some minor issues relating to either systems design or operation which need to be addressed (and hence the report may include some recommendations) – however these issues do not have an impact on the overall effectiveness of the control system and the delivery of the system's objectives.</p>
<p style="text-align: center;">Significant (Good)</p>	<p>Significant assurance can be given that there is a good system of internal control which is designed and operating effectively to ensure that the system's objectives are met and that this is operating in the majority of core areas</p>	<p>The system is generally well designed - but there may be weaknesses in the design of the system that need to be addressed.</p> <p>In addition most core system controls are operating effectively – but some may not be.</p> <p>Whilst any weaknesses may be significant they are not thought likely to have a serious impact on the likelihood that the system's overall objectives will be delivered.</p>



<p>Limited (Improvement Required)</p>	<p>Limited assurance can be given as whilst some elements of the system of internal control are operating, improvements are required in the system's design and/or operation in core areas to effectively meet the system's objectives</p>	<p>The system is operating in part but there are notable control weaknesses.</p> <p>There are weaknesses in either design or operation of the system that may mean that core system objectives are not achieved.</p> <p>In terms of what differentiates a borderline Significant Opinion to a borderline Limited opinion – the main factors are the scale and potential impact of weaknesses found. Multiple weaknesses across a range of core areas would suggest a Limited Opinion level is applicable. However it also true that ONE weakness can suggest a Limited Opinion if it is fundamental enough to mean that a number of core system objectives will not be achieved.</p>
<p>Low (Weak)</p>	<p>Low assurance can be given as there is a weak system of internal control and significant improvement is required in its design and/or operation to effectively meet the system's objectives.</p>	<p>The audit has found that there are serious weaknesses in either design or operation that may mean that the overall system objectives will not be achieved and there are fundamental control weaknesses that need to be addressed.</p> <p>It should be borne in mind that Low Assurance is not 'No Assurance.' The key point here is that there is a good chance that the system may not be capable of delivering what it has been set up to deliver – either through poor systems design or multiple control weaknesses. The report will clearly state if 'No Assurance' is actually more applicable than low assurance.</p>

Where limited or no assurance is given the management of the Council must consider the impact of this upon their overall assurance framework and their Annual Governance Statement.



Priorities assigned to individual recommendations

Individual recommendations are graded in accordance with the severity of the risk involved to the Town Council. Audit Yorkshire has a standard definition for each level of recommendation priority. This is represented in the table below:

Grading	Definition	Guidance on Consistency
Major (High)	Recommendations which seek to address those findings which could present a significant risk to the organisation with respect to organisation objectives, legal obligations, significant financial loss, reputation/publicity, regulatory/statutory requirements or service/business interruption.	These are recommendations which aim to address issues which if not addressed could cause significant damage or loss to the organisation. The expectation is that these recommendations would need to be taken as a matter of urgency. These recommendations should have a high corporate profile – with a clear implementation tracking process in place, overseen by Full Council.
Moderate (Medium)	Recommendations which seek to address those findings which could present a risk to the effectiveness, efficiency or proper functioning of the system but do not present a significant risk in terms of corporate risk.	These are recommendations which if not addressed could cause problems with the safe or effective operation of the system being reviewed. The recommendations should have appropriate profile within the division or business area in which the system being considered sits. These recommendations should be carefully tracked to ensure that action reduces the risks found.
Minor (Low)	Recommendations which relate to issues which should be addressed for completeness or for improvement purposes rather than to mitigate significant risks to the organisation. (This includes routine/housekeeping issues)	All other recommendations fall into this category. This includes recommendations which further improve an already robust system and housekeeping type issues.

