



Beverley Town Council Internal Audit Report [Year-End]

Financial Year Ending 31st March 2021

Date of Year-End Visit: 11 May 2021

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Status: Final



**BEVERLEY
TOWN COUNCIL**
WORKING AS A COMMUNITY

Prepared by Internal Audit Yorkshire

Internal Auditor: Ms Safia Kauser

Tel: 07553 960 125

Email: info@internalaudityorkshire.co.uk

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This internal audit report takes into account the best practice and internal auditing standards referenced within the Practitioners' Guide to Governance and Accountability for Local Authorities.

The Internal audit report should inform the authority's responses to Assertions 2 and 6 in the Annual Governance Statement that forms part of the Annual Governance and Accountability Return [AGAR]. This internal audit report should therefore be made available to support and inform members considering the authority's approval of the annual governance statement.

Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

[Source 'Governance and Accountability for Small Authorities in England Practitioners Guide 2020]

1. Background

- 1.1 Authorities in England operate within a legal framework which provides them with the necessary statutory powers and authority to deliver local public services. Authorities and their clerks/chief executives/RFOs should always be aware of, and have regard to, the legal power they are exercising when deciding on any action including to spend public money.
- 1.2 The proper practices for smaller authorities (Town and Parish Council's) are included in the Governance and Accountability for Smaller Authorities [March 2020], a Practitioners Guide. Smaller authorities in England must complete an Annual Return and an Annual Governance Statement to the public. The Annual Return must be submitted to the external auditor within the statutory deadline of 30 June.

2. Purpose of Internal Audit

- 2.1 Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2 The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective. The internal audit function must be independent from the management of the financial controls and procedures of the authority which are the subject of review. The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the authority.
- 2.3 The objectives for Internal Audit Yorkshire are to undertake a programme of work to help discharge the statutory internal audit responsibilities and form a judgement of the effectiveness of internal control arrangements during the financial year. The list is not exhaustive and can vary from each authority who can agree a specific programme of work with its internal auditor provider each year. The key systems and processes will range from:
- Proper book-keeping including the cash book; bank reconciliations
 - Standing orders and financial regulations;
 - Payment controls/petty cash; Income controls;
 - Budgetary controls; Petty cash procedure;
 - Payroll controls; Asset control;
 - Year-end procedures; and risk management arrangements.

3. Our Objectives and Programme of Work

- 3.1 Our programme of cover has been designed to afford reasonable assurance that the Councils financial systems are robust and are operating in an effective manner and in compliance with the statutory legal framework. Our internal audit assurance definition for a positive assertion for each individual control area assessed indicates that 'There is generally a good system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the control area audited'.
- 3.2 Our work during the interim visit and the year-end visit has enabled us to reach judgements on the internal control objectives in the Annual Internal Audit Report which forms part of the Councils Annual Governance and Accountability Return [AGAR].

4. Our Scope of Work During the Interim Visit

4.1 We covered the following areas during our interim visit on the 06th March 2021.

- Book Keeping and Mayors Charitable Funds
- Standing Orders and Financial Regulations
- Payment Controls and Expenditure Testing
- Charge Card and Procurement Contracts Timetable
- VAT
- Risk Management Arrangements
- General Data Protection Regulations [GDPR]
- Back-up of Electronic Files
- Budgetary Controls and Financial Health
- Income Controls including the precept
- Petty Cash Procedures
- Payroll Controls
- Asset Management
- Periodic Bank Reconciliations

4.2 Our Scope of Work at the Year-End Visit

The year-end audit visit took place on the 11 May 2021 at the council offices.

We covered the following areas at the year-end visit:

- Payroll – Follow up work
- Accounting Statements and supporting documentation
- Year End Bank Reconciliation (follow up work)
- Asset Register (follow up work)
- 2019/20 inspection rights
- 2019/20 publication of accounts

We would like to thank the Deputy Clerk Matthew Snowden and Admin Assistant Carol Oliver for all their help and assistance during the audit.

***Internal Control Objective H – Internal Audit Response is positive (see para 5.13)**

***Internal Control Objective I – Internal Audit Response is positive (see para 5.12)**

***Internal Audit Objectives K, L and O were not applicable to Beverley Town Council.**

5.1 Findings

5.2 Payroll

G Salaries to employees and allowances to members were paid in accordance with the authority's approval, and PAYE and NI requirements were properly applied.

Aim: Obtain assurance that payroll costs are supported by employment contracts, expenditure is approved and PAYE/NIC is properly operated. Review Members Allowances to ensure PAYE and NI requirements are met.

Internal Audit Response Reviewed Response - No

5.3 This review area was covered at the interim visit and a positive assertion was given to this internal control area pending the confirmation of the incremental increase for the Town Clerk/RFO.

5.4 Committee minute extracts from 2012 to 2020 were provided by the Deputy Clerk which related to the pay rise and incremental discussions. It is unclear from the minute detail if an additional spinal point was awarded or if the council agreed to a temporary increase from the 1st August 2012 that was outside of the NJC/NALC pay scales. The listed committee minute extracts were considered (in date order). In particular we considered minute reference 217 from the Personnel committee minutes dated 06th February 2013 and minute extract 552 from the Policy committee minutes dated 07th November 2012. We were not provided with any background papers as referenced in the minute extract which could provide clarity on the pay increase.

- 02nd July 2012 – Personnel committee (min 166)
- 16th July 2012 – Full Council (min 766)
- 19th September 2012 – Personnel Committee (min 7)
- 24th October 2012 – Personnel Committee (min 187)
- 07th November 2012 – Policy Committee (min 552)
- 06th February 2013 – Personnel Committee (min 217)
217 To receive information relating to the NJC incremental increase and to agree a date of implementation see circulated paper
The NJC incremental increase was considered for permanent staff as discussed and the date of implementation agreed as from 01st August 2012. The Town Clerk to facilitate this change.
Resolved: That the NJC incremental increase for permanent staff as discussed be implemented from 01st August 2012. The Town Clerk to facilitate this change.
- 09th September 2013 – Personnel Committee (min 274)
- 07th November 2016 – Personnel Committee (min 33)
- 30th April 2018 – Policy Committee (min 149)
- 22nd May 2018 – Personnel Committee (min 52)
- 24th April 2019 – Personnel Committee (min 103)
- 04th June 2019 – Personnel Committee (min 9/19)
- 24th June 2019 – Personnel Committee (17/19)
- 3rd November 2020 – Personnel Committee (37/20)

5.5 The minute reference 552 from the policy committee minutes dated 07 November 2012 referred to a background working paper that was not provided with the minute extracts. The minute resolution states:

- *'It was agreed that the sum of £1,096 would be spent on the pay rise as set out in the budget; this would not be back dated but pro rata to an equivalent date'.*

5.6 In the absence of any background meeting papers relating to minute reference 217 from the Personnel committee minutes dated 06th February 2013 and minute reference 552 (Policy ctte) and no evidence of any contract variation letters issued to the employee, our reviewed response to this control area is 'No'.

5.7 Year End Accounting Statements and Supporting Documentation

J Accounting statements prepared during the year were 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 debtors and creditors were properly recorded.

Aim: Obtain assurance that accounts prepared on correct statements (income and expenditure, debtors and creditors, over £200,000) or (summary receipts and payments, under £200,000) and that working papers can be followed through to final document.

Internal Audit Response Yes

- 5.8 The queries raised at the interim visit relating to the coding of accounting entries (see interim report para.5.6) had been addressed by RBS as part of the year-end close down. The consultant confirmed that the entries had been credited to the budget line rather than treated as income.
- 5.9 The draft print-out AGAR from the RBS software was reviewed to verify that the correct previous year balances for the 2019/20 financial year had been carried over correctly. The data was reviewed against the 2019/20 signed and approved AGAR: <https://www.beverley.gov.uk/wp-content/uploads/sites/75/2020/09/2019-2020-AGAR-Signed-Return.pdf>. We noted that restated figures were provided for box 4 Staff Costs and box 6 total other payments. The practitioners guide states that 'The following are not staff costs for the purpose of Line 4; mileage and other travelling and subsistence allowances, "Home working allowance" that is, an allowance paid to cover the extra costs of working from home, the provision of work related training, the reimbursement of childcare or other carers costs, the reimbursement of a staff members subscription to the Society of Local Council Clerks, the provision of office supplies such as laptop, scanner or stationery and consultants and agency staff'. See data:
- | 2019/20 Approved AGAR | | 2020/21 Draft AGAR (previous year recorded figures 2019/20) | Variance |
|------------------------------|----------|---|----------|
| Box 4 – Staff Costs | £101,955 | £102,260 | +£305.00 |
| Box 6 – Total Other Payments | £215,846 | £215,541 | -£305.00 |
- 5.10 The accounts assistant has explained that the restated figures are to accommodate the correct figures for box 4 and 6 in accordance with the guidance in the practitioners guide. A breakdown of the variance was not provided to demonstrate the changes. We would recommend that the AGAR for the previous year balances states 'Restated' and that an explanation is provided to the external auditor with a breakdown of the variance.
- 5.11 The working details for the balance sheet and supporting documentation was reviewed. Our findings are summarised:
- Debtors – balance of £36.00 – Working paper was enclosed. No issues identified.
 - Prepayments – balance of £936.00. Working paper was enclosed. No issues identified.
 - VAT – balance of £3,919 – Q4 VAT was submitted for £3,918.62 (rounded to £3,919). No issues identified.
 - Accruals – balance of £4,997 – Working paper was enclosed. Journal detail reviewed. Accruals total was £4,996.70 (rounded to £4,997). No issues identified.
 - Allotment Bonds - £3,951 recorded on balance sheet. Working paper was provided. No issues identified.
- 5.12 A review of the bank and cash investment reconciliation at 31 March 2021 was undertaken. The bank balances were verified against the bank statements. One minor discrepancy was identified. The balance for the un-named Beverley Town Council account balance was £83,953.18 as per bank statement however the balance on the reconciliation was recorded as £83,953.48.

5.13 The total of fixed assets at 31 March was recorded at £191,496 (£191,496.82). This is an increase of £19,301 of total fixed assets in comparison to the prior year figure in Box 9 of the Annual Return. The asset register did not record the purchase date of the new assets acquired/disposed during the year. Our recommendations to improvements to the asset register were identified within our interim audit report.

5.14 A detailed review of the reserves was undertaken to assess the financial year-end position for Beverley Town Council. The balance sheet figure showed a General Fund reserve of £69,316. A general reserve is normally held to finance unexpected or emergency expenditure. The Deputy Clerk confirmed that this fund was to be used for any unearmarked projects that may arise during the year. However on closer inspection of the earmarked reserves we found that there were reserves of £200,000 to cover 9 months of operational costs for emergencies that may arise. It is understood that this reserve was based on historic audit advice. As referenced in our interim audit and in accordance with the practitioners guide, a council with a NRE in excess of £200,000 should plan on a 3 months general reserve. The calculation of NRE is:

- Precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves.

5.15 The precept for Beverley Town Council for the 2020/21 financial year was £291,414. The Deputy Clerk confirmed that the precept did not include any loan repayments and/or capital/earmarked reserves. Based on the practitioners guide, a general reserve of 3 months should be maintained and therefore the general reserve should be in the region of £73k. The general reserve at year end was £69,316 + £200,000 totalling £269,316. The council should consider adopting a general reserve policy to ensure that the level of reserves is appropriate to the size and situation of the council and to enable budget planning. This will assist the council to maintain an adopted level in accordance with the practitioners guide. For narrative purposes, we have listed the general fund and earmarked reserves and the notes on delivery of projects was provided by the Deputy Clerk.

			Notes
Balance Sheet - General Reserve	69,316		
		69,316	
Balance Sheet - Earmarked Reserves			
Building Jan 2020	350,000		To purchase dedicated council BTC offices
Election Costs Jan 2020	14,000		
Town Event Jan 2020	10,000		Cancelled due to Covid. Funds to be used in 2021
BTCO Op9 mnths auditadvic	200,000		As per former internal auditors advice
Skatepark Jan 2020	7,500		Capital - No date for project delivery
Christ Lights Jan 2020	30,000		Project delivery 2021
Floral Displays Jan 2020	25,800		Project delivery 2021
Grants Mar 2020	23,500		Reserve for additional grant awards
CCTV	30,000		Purchase additional CCTV equipment. Project delivery ongoing.
Streetlighting Imp	4,000		
Street Furniture	8,000		Renewables and new purchases
Cycle Racks	1,000		
Town Entry Signs	6,000		
Toilets	10,000		New toilet block capital costs. Project delivery unknown.
Emergency Plan	5,000		To be reviewed.
		724,800	
Total General and Earmarked Reserves as per Balance Sheet		794,116	

OBJECTIVE J: RECOMMENDATIONS

R1:	That the AGAR previous year balances state 'Restated' where the figures have been restated and that an explanation is provided to the external auditor with a breakdown of the variance.
R2:	That the balance for the un-named Beverley Town Council account balance showing on the Cash and Investment Reconciliation at 31 March 2021 is amended to £83,953.18 as per bank statement. Previous figure on the reconciliation was recorded as £83,953.48.
R3:	That a general reserve policy is adopted to ensure that the level of reserves is appropriate to the size and situation of the council and to enable budget planning. This will assist the council to maintain an adopted level in accordance with the practitioners guide.

5.16 Public Rights Inspection Period for 2019/20 Financial Year

M The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (*evidenced by the notice published on the website and/or authority approved minutes confirming the dates set*).

Aim: Obtain assurance that the Council has advertised the dates for the inspection of public rights correctly and view evidence.

Internal Audit Response

No

5.17 Due to the Covid-19 national pandemic, legislative changes were made to the statutory audit framework for the submission of the annual accounts and the inspection dates for the exercise of public rights. In accordance with Regulation 12(3) of the Accounts and Audit Regulations 2015, the authority's RFO is responsible for commencing the 30-working day period as soon as possible after the statement of accounts has been approved by the authority and signed and dated by the person presiding at the meeting at which that approval is given. Normally the inspection window would include the first 10 working days in July however due to Covid-19 this had been changed and instead, smaller authorities had to commence the public inspection period on or before 1 September 2020. Audit testing was carried out to confirm that the correct dates had been advertised for the public inspection period

5.18. We reviewed the public notice for the inspection of public rights that had been prepared by the RFO. The full council minutes from 18th August 2020 confirm the dates for the exercise of public rights (minute reference 57.2). The minute detail confirms that the notice will be displayed on 19th August 2020.

5.19 During our audit visit we were provided with hard copies of the inspection notices for the exercise of public rights. The Deputy Clerk confirmed that the first inspection notice had been calculated incorrectly and this was subsequently rectified and the correct notice was issued on the 19th August 2020. The amended inspection period was displayed in the Wednesday Market noticeboard and it is understood this was also published on the website. We have been informed that on the expiry of the public inspection period, the notice was removed from the website.

Notice 1	
Date of Announcement:	19 August 2020
Inspection Period:	20 th August 2020 to 24 September 2020 (covered 25 working days period)

Notice 2 – Inspection period dates amended to accommodate the calculation of working days	
Date of Announcement:	19 August 2020
Inspection Period:	20 th August 2020 to 02 October 2020 (covered 31 working days period)

5.20 The inspection notice pro-forma provided by the external auditors states that the date of placing the notice (the announcement) must be not less than 1 day before the commencement date. The commencement date must be at least one day after the date of the announcement and at least 30 working days before the ending date. The inspection notice pro-forma states that the inspection period must be 30 working days inclusive. As referenced above, notice 1 and notice 2 did not cover a 30 working day period in accordance with the calculations stipulated in the pro-forma as set out in the Account and Audit Regulations 2015, see link: <https://www.legislation.gov.uk/ukxi/2015/234/part/5/made>

OBJECTIVE M: RECOMMENDATIONS	
R4:	That the notice period of the inspection dates for the exercise of public rights is calculated correctly for the 2020/21 financial year in accordance the Accounts and Audit Regulations 2015 (as stipulated in the pro-forma provided by the external auditors).

5.21 Publication Requirements for the 2019/20 AGAR

N	The authority has complied with the publication requirements for 2019/20 AGAR (see AGAR Page 1 Guidance Notes).
Aim: Obtain assurance that the publication requirements were met for the 2019/20 financial year.	
Internal Audit Response	Yes

5.22 The AGAR was to be approved and published by 31 August 2020 at the latest or could be approved earlier, wherever possible. The previous requirement was 01 July 2020. We have summarised our findings in this area to confirm the publication requirements for the 2019/20 financial year:

Documents Reviewed	Comments
<ul style="list-style-type: none"> Notice of the period of exercise rights and a declaration that the accounting statements are as yet unaudited. 	Evidence was provided and minuted. The inspection period notice should remain on the website until it is replaced.
<ul style="list-style-type: none"> Section 1 – Annual Governance Statement 2019/20 approved and signed. 	Yes – see link: SKM_C36820090110480 (beverley.gov.uk)
<ul style="list-style-type: none"> Section 2 – Accounting Statements 2019/20 approved and signed. 	Yes – see link: SKM_C36820090110480 (beverley.gov.uk)
<ul style="list-style-type: none"> Notice of conclusion of audit 	Yes – see link: Notice-of-the-audit-2020-19-Nov-2020.pdf (beverley.gov.uk)
<ul style="list-style-type: none"> Section 3 – External Auditor Report and Certificate 	Yes – interim certificate issued by the external auditor PKF Littlejohns however the final audit certificate has not been issued due to challenge correspondence under consideration, see link: https://www.beverley.gov.uk/wp-content/uploads/sites/75/2020/11/2019-2020-External-Auditor-Report-and-Certificate.pdf
<ul style="list-style-type: none"> Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review 	Not applicable.

6. Other Matters

- 6.1 The interim internal audit report with a proposed action plan was considered by the full council at the meeting held on the 12 April 2021, see link: [SKM_C36821050515080 \(beverley.gov.uk\)](https://www.beverley.gov.uk/SKM_C36821050515080). It is noted that all recommendations have an action plan with ongoing progress (monitored by committees) to address the weaknesses in internal controls that were highlighted in the interim report. The council need to ensure that any future internal auditor appointed is requested to follow up on the progress of the recommendations made during the 2020/21 financial year.

-----END OF REPORT – RECOMMENDATIONS ACTION PLAN ATTACHED -----

Beverley Town Council Recommendations – Year-End Internal Audit Report 2020/21

1. Appendix A – Recommendations Action Plan

No	Recommendation	Page No	Responsible Officer	Committee	Timescale
1	That the AGAR previous year balances state 'Restated' where the figures have been restated and that an explanation is provided to the external auditor with a breakdown of the variance.	6			
2	That the balance for the un-named Beverley Town Council account balance showing on the Cash and Investment Reconciliation at 31 March 2021 is amended to £83,953.18 as per bank statement. Previous figure on the reconciliation was recorded as £83,953.48.	6			
3	That a general reserve policy is adopted to ensure that the level of reserves is appropriate to the size and situation of the council and to enable budget planning. This will assist the council to maintain an adopted level in accordance with the practitioners guide.	6			
4	That the notice period of the inspection dates for the exercise of public rights is calculated correctly for the 2020/21 financial year in accordance the Accounts and Audit Regulations 2015 (as stipulated in the pro-forma provided by the external auditors).	7			