

External Audit Challenges as a result of a complaint by an Objector for 2021-2022 Audit

Response to External Auditors, PKF Littlejohn to Objection 2

Objection 2

The failure to implement internal audit recommendations in a timely manner.

Town Council Response

Council Resolution: Full Council 26th September 2022 Min No: 66/22(b) (ii)
Prop: Councillor David Boynton Sec: Councillor Denis Healy - all in favour

This Town Council resolves that although there is still work to do with regard to a legacy of inadequate financial management, there has been significant progress from when the Audit Yorkshire investigation was carried out in 2019/2020 to the current date. This is shown by actions being addressed that were identified from that investigation, subsequent internal audits and external audit challenges, and by improvements being made by staff and the Council to its financial processes and governance. This has taken place even though two full-time members of staff who have responsibility for the financial management of the Council are currently absent from work (one for 20 months and one for 3 months) and also whilst dealing with incessant complaints and whilst properly managing the Council's functions and services. The Council recognises that there is work still to do and is committed to ongoing improvement as a result of this process.

Beverley Town Council refutes the allegation that work to address issues raised by the Internal Auditor are not being carried out in a timely manner.

The attached Action Plans illustrate the scale of the work required and the significant steps that have been undertaken and are still being taken to positively address these matters. This work has been carried out over the past 18 months, during which time the Town Clerk/RFO has been absent and the Deputy Town Clerk was made Acting Town Clerk. For clarity, with regard to the Objector's statement in the email of 15th August 2022 that the Town Council is proposing to re-write Financial Regulations to remove the need to issue Purchase Orders, this is not true. The Council will be considering a Purchase Order Policy which will be reviewed with the requirements of Financial Regulations. Items 7, 8 and 9 of the Internal Audit Action Plan for 2020/2021 give a detailed account of the purchase order work that has been undertaken.

For context, during this time, there have only been a total of 67 staff hours per week (Acting Town Clerk 35, Admin Officer 22 and Finance Officer 10). It is the belief of the Town Council that for so much to have been resolved with reduced staffing and partly during the Covid-19 lockdown, work has been carried out in a timely manner.

This is qualified by the Internal Auditor in their interim report during the 2021-2022 year, dated 13th January 2022. Paragraph 6.1 states “*The Council has made good progress to address the substantial number of internal audit recommendations made during the 2020/2021 financial year. We were provided with an action plan that records the progress for each recommendation and subsequent action that is outstanding and/or in progress. We note that the action plan is under regular review by officers and members and agreed actions/updates are reported to Council and recorded in minutes. There have been some improvements to the control areas which received a negative response in the last financial year and where applicable we are satisfied that the Council is likely to meet the requirement for adequate internal controls resulting in a positive assertion for the control area audited. Some areas require improvement and additional recommendations have been made to improve the internal controls and to ensure compliance with Financial Regulations.*” In addition, during a verbal discussion with the Acting Town Clerk, the Internal Auditor explained it could take 2-3 years to fully resolve everything. Therefore, Beverley Town Council believes the timeliness is appropriate given the contextual circumstances. It should also be noted that the Acting Town Clerk is now on medical absence temporarily reducing staffing even further. However, work continues on the action plan.

Action Plan Update 5th September 2022

This includes the recommendations included in the Audit Yorkshire report dated 7th July 2020

Internal Audit Action Plan 2020/2021

No	Recommendation	Position at 5th September 2022
1	Review internal control systems and policies	This has now been completed and two councillors attend quarterly to undertake an internal control review which is then reported to Full Council.
2	That the council considers a review all the accounting entries, in particular the income entries to ensure that they have been coded correctly and linked to the correct boxes that would provide the figures for the year end accounting statements that form part of the AGAR.	Completed.
3	That consideration is given to the management and administration of the Mayors charity in accordance with the legal requirements set out in the Local Government Act and the Charity Commission Law.	All donations are made directly to the charities which removes the need for the Town Council to process any donations (e.g. cash from raffles be given directly to the charities to bank, electronic donations be paid directly to the charity with each one selected alternatively for each event, etc.) The Town Council does not hold any charity funds.
4	That the Standing Orders and Financial Regulations are reviewed to ensure the financial stipulates correspond to each other (in particular SO 18)	These were reviewed September 2021 but a further review is due to take place to refer to the Purchase Order, Asset, Reserves, Internet Banking Policy and Investment Strategy and debit cards (Action Plan No. 17). These policies are being considered by the next Policy and Finance Committee to recommend approval to Full Council.
5	That the schedule of payments presented to council or committee includes an authorisation column that should state the authorisation reference which may be a Financial Regulation reference for payments made in accordance with a contract or direct debit arrangement, a scheme of delegation authorisation or a council or committee minute	Completed.
6	That the Scheme of Delegation is reviewed to confirm if standing committees are delegated any budgets to incur expenditure and any delegations to correspond to the councils budget.	Resolved.

7	That the purchase order template on the RBS system be reviewed to include details for authorisation reference, authorising and approving officer or alternatively a purchase order stamp be used to record these details.	Beverley Town Council started using purchase orders in November 2019. A pro forma was drawn up at that time as the RBS software did not allow for this and a record kept in Excel and in a separate file after being checked with the invoice. After conversations with RBS and costings by the Town Clerk, it was resolved on 13th January 2020 – Full Council (min 138/19 (c)) to upgrade the RBS system with sales and purchase ledgers for the next financial year to allow for RBS to attend to install the upgrade and the training of staff - and this happened on 13th March 2020. Unfortunately COVID closed down the office from the 16th March 2020. There are 101 purchase orders in the RBS system (from 2021-2022) and these are now kept with the initial email from the RFO to request the purchase following decision of Council, costings from companies, purchase order and invoice in the appropriate month.
8	That all purchase orders are countersigned by another officer to ensure there is a segregation of duties of the Town Clerk and RFO who may be the same authorising and approving officer.	
9	That copies of all signed purchase orders are retained on file and a copy to be attached to the invoice on payment for audit purposes.	
10	That an authorisation stamp is used for all invoice payments. An authorisation stamp could include details for Certifying Officer; Authorisation reference; Purchase Order number; System Code; Date Paid and Payment Type which could include details of the cheque number, direct debit arrangement or bank transfer reference.	Authorisation sheet attached to each invoice which satisfies the internal auditor.
11	That the authorisation reference field is completed within the RBS Omega Accounting system.	Completed.
12	That sufficient evidence is appended to the invoices for payments made via bank transfer to provide an adequate audit trail and verification that the online payment corresponds to the invoice.	Completed.
13	That the council and officers comply with the councils Financial Regulations, in particular contract thresholds and where required, estimates, quotes and tenders be obtained.	Contract/Supplier list approved at Full Council March 22. Officers have a quotation tender system in place but further work is required for councillors and officers to understand their roles.
14	That consideration is given to obtaining a professional HR fixed fee service which may achieve best value for money.	Work in Progress.
15	That the CCTV Service Level Agreement is reviewed with East Riding Council to ensure that the council is receiving best value for money. A copy of the agreement to be retained on file.	To be finalised at a Future Full Council.
16	That all council officers record estimates and quotations in a quotations database created by the RFO.	Database in operation

17	For the Financial Regulations to include this information and for Officers to liaise with the bank to arrange a limit (credit card is currently £2,000 limit, debit card £500 limit). As the cards were taken out by the Town Clerk (the Debit Card is in her name), this may have to wait until she are available to do so. For Council to review this as a whole.	Credit card closed. New debit card issued in Town Council name. This review will be undertaken with the review of Financial Regulations (see 4).
18	That consideration is given to obtaining a professional HR fixed fee service which may achieve best value for money.	Work in Progress.
19	That the Councils considers developing and adopting Risk Management Statements and Policies in accordance with Financial Regulation 17.1.	Risk Assessment documents approved and monitored as living document. Reviewed by Full Council on six monthly basis or sooner if required.
20	That the risk assessment document is reviewed by the council to include all key risks facing that impact on service delivery and prevent the council from delivering its objectives. This should include business continuity measures. The risk document should include a risk rating criteria of the potential consequences and the likelihood for each individual risk.	Risk Assessment document approved and monitored as living document. Business contingency measures need to be developed.
21	That the council considers developing and adopting GDPR policies to comply with the GDPR regulations that came into force on the 25 May 2018. Model policies can be obtained from SLCC or the local county association.	Completed. Adopted 19th April 2021.
22	That the councils reviews its IT back-up arrangements having regards to GDPR and data loss.	Remote back up done nightly off site by contracted IT provider in line with the national regulations
23	That the council follows the budgeting process as set out within the guidance contained within the practitioner's guide.	A large amount of work has been undertaken to ensure compliance with Practitioner's Guide.
24	That the council develops project plans or a business case inclusive of a time-frame for delivery to support the budgeting process that will assist members to determine the costs for ear-marked reserves.	The Council needs to develop its business strategy and forward planning for council's business and projects.
25	That the level of general reserves is reviewed to ensure it is within the recommended guidelines of 3- 12 months of Net Revenue Expenditure (NRE). Note: The larger the authority the nearer to 3 months reserves should be retained for example, any authority with an NRE in excess of £200,000 should plan on 3 months equivalent General Reserve.	Reserves reviewed and £68250 contingency. External Auditor confirmed they were satisfied with the level of general reserves.

26	That the full council receives budget monitoring statements in accordance with Financial Regulation 4.8.	Completed. The Council receives these each quarter.
27	That the requirements of the petty cash are reviewed and that any outstanding money is paid into the petty cash and that the Financial Regulations are updated accordingly	No petty cash account and this has been closed on RBS.
28	That an examination of employee salaries is undertaken to confirm that the correct salary payments have been made in accordance with the contract of employment taking into account the new NJC pay scale points applicable from the 01 April 2019. Employees should be provided with documentation to confirm the transfer of the new pay points and the new SCP pay point that is applicable to their post.	Completed.
29	That all overtime is sanctioned in advance and recorded on the timesheets accordingly and submitted to payroll. Timesheets to be retained on file	To be reviewed when HR service in place. The Chairman of the Personnel Committee sanctions overtime.
30	That the Chairman's allowance is paid in accordance with the PAYE scheme via the payroll provider.	All allowances are paid through payroll provider.
31	That an annual inspection of the asset register items is carried out to ensure that all items listed can be physical verified in accordance with Financial Regulation 14.6.	Considerable work has taken place to enhance the details and depth of assets in the town. Work to be undertaken to do inventories or Town Council's storage facilities and custodians of Assets. An Asset Policy to be reviewed as part of review of Financial Regulation at action point number 4.
32	That improvements are made to the asset register to include asset reference numbers, location / land registry details, quantity and replacement values for insurance purposes.	Considerable work has taken place to enhance the details and depth of assets in the town. Work to be undertaken to do inventories or Town Council's storage facilities and custodians of Assets. An Asset Policy to be reviewed as part of review of Financial Regulation at action point number 4.
33	That the updated asset register is reviewed against the insurance policy to ensure that all insurable assets are covered under the insurance policy.	Considerable work has taken place to enhance the details and depth of assets in the town. Work to be undertaken to do inventories or Town Council's storage facilities and custodians of Assets. An Asset Policy to be reviewed as part of review of Financial Regulation at action point number 4.
34	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	Completed.

35	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.	Completed.
36	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.	General Reserve Policy to be reviewed as part of Action No 4 when review Financial Regulations.
37	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).	Completed.

Internal Audit Action Plan 2021/2022

The Internal Auditor in the report of 13th January 2022 (page 17) "6. Audit Opinion and other matters - 6.1 The council has made good progress to address the substantial number of internal audit recommendations made during the 2020/21 financial year. We were provided with an action plan that records the progress for each recommendation and subsequent action that is outstanding and/or in progress. We note that the action plan is under regular review by officers and members and agreed actions/updates are reported to council and recorded in the minutes. There have been some improvements to the control areas which received a negative response in the last financial year and were applicable we are satisfied that the council is likely to meet the requirement for adequate internal controls resulting in a positive assertion for the control area audited. Some areas require improvement and additional recommendations have been made to improve the internal controls and to ensure compliance with the Financial Regulations.

Interim Internal Audit - 2nd December 2021 and Final Internal Audit - 5th May 2022

No	Recommendation	Position at 5th September 2022
1	To ensure that the bank reconciliation statements for all accounts are reported to Council or duly delegated committee at least once in each quarter and at each financial year end and that a member other than a cheque signatory signs and verifies the statement against the original bank statement in compliance with Financial Regulation 2.2. This activity on conclusion should be recorded in the council minutes.	Completed.
2	That the Internet Banking Policy is referenced within the Financial Regulations internet banking section (6.15,6.16 and 6.17) and that there is reference to the Finance Officer acting in a 'Service Administrator' capacity to set-up online banking payments.	To be reviewed with the Financial Regulations.
3	That a list of continuing contracts and obligations is provided to council or duly delegated committee each financial year for approval to allow payments to be made by the RFO in accordance with Financial Regulation 5.6. Alternatively, the council could review the Financial Regulation 5.5 and 5.6 and the parameters which allows the RFO to make the payments in advance of the payment schedule being presented to council.	Completed. Resolved by Full Council in March 2022.

4	That the expenditure delegations for the Town Clerk in the Financial Regulations and Scheme of Delegation correspond to each other.	To be included with review of Financial Regulations.
5	That additional detail is included as part of the expenditure audit sheet. Recommended detail to include: Expenditure Authorisation -Authorisation to Incur Expenditure: insert reference -Purchase Order: insert PO number, letter reference or contract reference (see FR 10) -Invoice Certified for Payment: insert RFO certification (see FR 5.3 + 5.4) Instruction for Payment -Authorisation for instruction of payment: insert minute reference/Officer Delegation and date	Completed.
6	That the council introduces additional controls to the Financial Regulations to: -Stipulate the usage of the debit and credit cards for example the use could be restricted to purchases that cannot be made via the normal ordering process -Maximum limit placed on the overall usage for the credit card and the maximum amount per individual transaction. -Procedures in place to ensure that the card is cancelled in the event the card holder leaves the organisation.	To be included with review of Financial Regulations.
7	That the council or duly delegated committee confirms the honorarium payment (if any) to be awarded to the councils Mace Bearer confirmed by minute resolution or alternatively the arrangement to be formalised by both parties to recognise the payment of Mace Bearer services to be invoiced to the council.	Completed.
8	That the council reviews the arrangements for the sale of tickets for the Mayors Charity and considers setting up a charitable trust board to comply with the Trust Fund requirements for local councils set out in the Practitioners Guide or alternatively ensures all mayoral ticket sales are made directly to the mayors nominated charity.	The Town Council holds no charity trusts or funds.

9	That the Corporate Risk Register as a live document remains updated and under review at all times and that further consideration is given to the risks associated with business continuity and staff cover for the Acting Clerk.	To be reviewed at approved for 2022-2023 year at Full Council in September 2022.
10	That the RBS Omega Accounting software is used to prepare the budget with an executive summary that could be prepared in excel to demonstrate how the precept has been calculated and how all the spending projections and plans for the next year are calculated. The budget detail should detail the approved income and expenditure budget for the current year, current year actuals and projections at the 31 March.	The budget is in RBS Omega Accounting system together with reports of each budget line. This is exported to Microsoft Excel for the ease of understanding, working and presentation to Council.
11	That budget training is delivered to members and officers and that keys stages of the budgeting process set out in the Governance and Accountability Practitioners Guide are considered as part of the budget preparation.	ERNLLCA provides training for Councillors and officers. These are considered by Full Council. The cost of training is approved at Full Council.
12	That the increase in hours for the Finance Officer is formally approved by council.	Completed. Resolved by Full Council in February 2022.
13	That all employees sign a copy of their contract variation letter to acknowledge their agreement to the variation of the Employment Contract.	Completed in February 2022
14	That the Acting Clerk/RFO signs the overtime sheets for all staff as their line manager and that the timesheets for the Acting Clerk/RFO are signed by the Chair of the Council or Chair of the Personnel Committee as determined by the council. Timesheets to be signed in advance prior to payroll processing and retained on file for audit	Completed.
15	That a contracts procurement timetable is created to list all council contracts and the contract values and that market testing of long-term contracts on a 3-5 year cycle is undertaken in a timely manner prior to the expiry of the contract period to ensure best value for money. The timetable should include sufficient detail to identify the start and end date of the contract; the contract value and details of the contract and responsible committee. The contracts timetable should be kept under regular review by the Responsible Financial Officer (RFO) and the Council / responsible committee for overseeing the councils' finances and reviewing contracts in accordance with the requirements of the Financial Regulations.	Approved at Full Council March 2022 with start and end date of Contract and regularly updated with new contracts.