



Beverley Town Council Internal Audit Report [Interim]

Financial Year Ending 31st March 2023

Date of Interim Visit: 28 October 2022

Date Report Issued: 14 November 2022

Status: Final (v2)



**BEVERLEY
TOWN COUNCIL**

WORKING AS A COMMUNITY

Prepared by Internal Audit Yorkshire

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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.

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, the 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 reasonable internal audit assurance definition 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 will enable 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 28th October 2022.

- Book Keeping
- Standing Orders and Financial Regulations; Authorisation of continuing contracts and obligations; Approved Suppliers; Expenditure Testing; Purchase of St Johns Building; Credit and Debit Cards; VAT
- Risk Management Arrangements; Insurance; Effectiveness of the system of Internal Control
- Budgetary Controls and Financial Health
- Income Controls including the precept
- Petty Cash Procedures
- Payroll Controls
- Asset and Investment Registers
- Bank Reconciliations

4.2 We would like to thank the Temporary Assistant Acting Town Clerk Libby Woodhouse and the Temporary Acting RFO Carol Oliver for all their help and assistance during the audit.

5.1 Findings

Book-Keeping

Internal Control Objective: Appropriate accounting records have been kept properly throughout the year.

Aim: To provide assurance that the books of account have been properly kept throughout the year and that data input controls are accurate.

5.2 Book Keeping

5.3 The RFO is responsible for the financial administration of the council in accordance with section 151 of the Local Government Act 1972. During the earlier part of the financial year from April to May the RFO role was being undertaken by the Deputy Town Clerk who had continued to hold the post of Acting Clerk/RFO following the long term absence of the permanent Town Clerk/RFO. From the period of June to the 15th August 2022 the council did not have an RFO to assume the role due to the absence of the Acting Town Clerk/RFO and from the 15th August the RFO role was undertaken by the Finance Officer on a contractual six month period.

5.4 The Finance Officer who is also the incumbent Acting RFO continues to maintain the day to day book-keeping on the RBS Omega Accounting Software. The software continues to be the main accounting system for the preparation of VAT returns, reporting and bank reconciliations. The council is operating with four bank accounts:

- 1) Virgin Money Business Account (Current)
- 2) Virgin Money Cash Management Account (Deposit Reserves Account)
- 3) Yorkshire Bank - Youth Support
- 4) Beverley Building Society Bond

5.5 It is noted that the council had £350,756.78 (balance at 31 July 2022) available in the Public Sector Deposit Fund which is set-up up as a separate bank account and cash book on the RBS system.

5.6 The report from the RBS software was reviewed to confirm that the carry-forward figure of £710,374 the figure in box 7 of the AGAR accounting statement at 31 March 2022 had been carried forward correctly to the 01st April 2022. No issues were identified.

5.7 A sample of transactions were tested for the month of June and July 2022. Checks were carried against the invoices to confirm that the data had been inputted correctly on the system and that it corresponded with the bank statement. We note that there were several transactions entered in the June cashbook that had been entered incorrectly and these had been rectified. This was due to the original transactions that were assigned to the incorrect payee or the incorrect code or amount. A couple of payments were recorded in the cashbook in the name of the event provider instead of the payee identified on the invoice to whom the payment was made to. The invoices were checked against the bank statements and no issues were identified. It is recommended that all supplier account names on the invoice match the payee name on the RBS system as this provides a clearer audit trail to link with the bank statement to whom the payment has been made payable to. The payee name on the RBS System may allow additional detail to be recorded ie the trading name and where practicable this should be included. No issues were identified with the sample of transactions reviewed for the month of July 2022.

Standing Orders - Financial Regulations - Payment Controls and Expenditure Testing - Credit and Debit Cards

Internal Control Objective: This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Aim: To provide assurance that Standing Orders, Financial Regulations and Appropriate payment controls (payments supported by invoices, expenditure is approved, VAT is correctly accounted for) are in place and are followed

5.8 Standing Orders and Financial Regulations

5.9 The councils Standing Orders, Financial Regulations and other internal policies, for example the Scheme of Delegation set out the arrangements for financial control and how the council will carry out its business. These documents remain unchanged since being formally adopted by full council at the meeting held 20 September 2021. The procedures and values formal tenders (exceeding £25k) remain consistent with each other.

5.10 In our last financial year audit we reported that the Internet Banking Policy did not correspond to Financial Regulations 6.15, 6.16 and 6.17 that relates to internet banking arrangements. We had recommended that there is a reference contained within this section of the Financial Regulations that refers to the Internet Banking Policy and that regulation 6.15 includes additional wording that refers to the Finance Officer acting as a 'Service Administrator' to set-up online payments. We are informed that a review of the Financial Regulations has been undertaken by officers and the updated draft financial regulations are due to be presented to the Policy and Finance committee at the October meeting.

5.11 Authority to Incur Expenditure and Payment Controls

5.12 The payments process should always be carried out in accordance with the authority's Financial Regulations. The authority to spend is set out in the Financial Regulations (FR 4.1) subject to the approved budget and to be evidenced by a minute or an authorisation slip signed by the Clerk and where necessary by the appropriate Chairman. The authority is determined by:

- The Council for all items over £5,000
- A duly delegated committee of the council for items over £2,000

- The Clerk in conjunction with the Chairman of Council or Appropriate Committee for items below £2,000
- Emergency expenditure up to £2,000

5.13 The councils Scheme of Delegation was updated (min ref 132/21) which included a review of budget delegation to committees. We found that the delegation parameters did not entirely correspond to the councils Financial Regulations. For example, Financial Regulation 4.1 authorises delegated committees to incur expenditure for items over £2,000 however this is capped to amounts less than £5,000. Any amounts less than £2,000 are delegated to the Clerk in conjunction with the Chair of the Council or appropriate committee. These thresholds do not entirely correspond to the Scheme of Delegation which in contrast allows delegated committees to incur expenditure up to items less than £2,000. We recommend that the governance for these core policies be reviewed. The council budget document was reviewed and we note that the budget lines and cost centres were not allocated to any specific committee. We have set out the committee delegations as set referenced within the updated Scheme of Delegation.

- (1) Policy and Finance Committee – No delegation for budget responsibility or to incur expenditure
- (2) Planning, Environment and Services Committee – Delegation to incur expenditure to a maximum of £2,000 for functions and services relevant to that committee.
- (3) Christmas Lights Committee – Delegation to incur expenditure to a maximum of £2,000 for functions and services relevant to that committee, those being the purchase and installation of Christmas and all year lighting features, displays and associated technical infrastructure.
- (4) Grants Committee - No delegation for budget responsibility or to incur expenditure
- (5) Personnel Committee – Delegation to incur expenditure to a maximum of £2,000 for functions and services relevant to that committee, those being the procurement of legal and other advice relating to staffing matters.
- (6) Town Clerk - Authorisation of routine expenditure within the agreed budget.
- (7) Town Clerk - Emergency expenditure up to £2,000

5.14 Authorisation of Continuing Contracts and Obligations

5.15 Financial Regulation 5.5b authorises the Clerk and RFO to have delegated authority to authorise the payments of items for continuing contracts and obligations provided that a list of payments is submitted to the next meeting of the Full Council or Policy and Finance committee.

5.16 A list of contracts has been prepared by officers (in accordance with Financial Regulation 5.6). The list was approved by full council at the meeting held in March 2022 (minute reference 156/21). The contracts list was reviewed and although it included detail of the start date of the contract, there was no end date included or details of the committee that is responsible for reviewing the contract. Including this level of detail can be useful as it can assist the responsible committee to carry out a procurement exercise and test the market prior to the expiry date of the contract.

5.17 We note that there were some ad-hoc contractors details which did not include start date of the contract for example the garden maintenance and photocopier lease. There was no detail to confirm if a contract/agreement was on file or if this payment resulted from an official purchase order or letter issued by the council. This level of detail would comply with Financial Regulation 10.1 which states ‘An official purchase order or letter shall be issued for all works, goods and services, unless a formal contract is to be prepared or an official order would be inappropriate’. It is recommended that this detail is included in the contracts/regular payments list and that a column is introduced to record the frequency of payments as it can assist with payment controls and it can provide a clear audit trail of where the payment originated from.

5.18 Approved Suppliers

- 5.19 The council has collated a list of approved suppliers. A discussion was held with the Acting RFO to understand how contractors are invited to be an approved supplier and what the requirements would entail to be included on such a list. It is recommended that an appropriate policy or controls are introduced to manage approved suppliers and that this detail be set out in a separate policy with a reference to the Financial Regulation or that the policy requirement and procedures be incorporated within the Financial Regulations.
- 5.20 Financial Regulation 5.4 authorises the RFO to take all steps to pay the invoices however the latter part of this regulation is not entirely clear as it refers to the Policy and Finance Committee and Full Council. Financial Regulation 5.5 sets out the parameters for instructions for payments to be made and Financial Regulation 6.6 summarises the authority to give instructions for a payment to be made. Although the council over the last two financial years has made improvements to the Financial Regulations and core governance documents, it is clear that there is still some improvement work to consider to provide clear regulations that tie in with corresponding policies and the Scheme of Delegation.

5.21 Expenditure Testing

- 5.22 A sample of payments were tested to confirm if the expenditure and payment for instruction was authorised in accordance with the Financial Regulations. From our testing we found that:
- The payments in the cashbook were supported by an invoice
 - Each individual invoice had an authorisation sheet which could be tracked back to the original order for incurring the expenditure
 - The authorisation sheet included detail to approve instruction for payment signed by two councillors and the RFO; and the date/minute reference of the payment being presented to council
 - The additional detail recommended in our last year internal audit report for inclusion on the authorisation sheet has been addressed and implemented

5.23 Expenditure Testing - Purchase of St Johns Ambulance Building

- 5.24 A discussion was held with officers relating to the purchase of St Johns Ambulance Building to accommodate the new council offices. The lease of the current rented offices expires in 2024. We reviewed the excel document which had a breakdown of the payments to date and the decision and transaction record which is now a public document. We note that the council did not comply with the quotations procedure relating to professional and legal fees due to the tight timescales for instructing the purchase of the building via auction and associated legal costs. In these circumstances where the council was unable to rely on an exemption within the Financial Regulations, consideration should have been given to suspend any part of the financial regulations in accordance with FR 17.2 and an assessment of risks arising should have been drawn up and presented in advance to all council members. A review was carried out of the invoices and associated costs relating to the St Johns Building purchase and all invoice and receipt documentation relating to the transactions were found to be in order. We would recommend that a cost centre be set-up for the new council building purchase and that appropriate nominal codes be set-up to assign payments such as 'initial set-up costs', legal and professional fees etc. We note the comprehensive report prepared by officers relating to the project management and finances following advice from ERNLCA that was due to be considered at a special meeting of the full council scheduled for 31 October 2022. We would recommend that the council considers the appointment of a specialist business consultant to prepare a business plan to incorporate the delivery and management of the project to include budgets and timeframes. The business plan should include details and budgets for the

management of the building following the renovations and appropriate income and expenditure details. Further comments relating to this project are included under the risk management section of the internal audit report.

5.25 Credit and Debit Cards

5.26 The councils credit card that had a maximum limit of £2,000 had been closed as this was linked to a named employee who no longer works for the Town Council. The council continues to operate with a debit card that is registered in the name of the council provided by Yorkshire Bank. We are informed by officers that online payments have been reduced due to the non-availability of a credit card and where appropriate credit accounts are being opened with suppliers to ensure payments can be made via the normal ordering process. We note that there is an outstanding credit balance of £9.77 to be refunded on this account. As the council does not operate with petty cash or a credit card, it is recommended that consideration be given to applying for a replacement credit card which can offer an alternative payment method for online transactions and provide insurance cover in the case where products are not received.

5.27 VAT

5.28 VAT returns are submitted in accordance with the VAT 126 form and are prepared from the RBS Omega Accounting system. VAT records were reviewed during the audit visit and it is noted that the claims have been submitted for the first two quarters up to the period ending September 2022. A sample of payments were tested against the cashbook and VAT records to ensure that VAT was being reclaimed. No issues were identified. As the council is embarking on a new building project that may include business activities, we would recommend that advice is sought from a VAT consultant as soon as possible as there may be VAT reclaim implications on surrounding building works that may fall within the scope of business activities that may require the council to register for VAT. Further guidance is available in the VAT notice 749 (relating to non-business activities).

Month	Date Submitted	Reclaim (£)
Quarter 1	05 July 2022	£17,791.16
Quarter 2	17 October 2022	£6,834.72
Totals:		£24,625.88

RECOMMENDATIONS

R1:	That the expenditure delegations for the Town Clerk in the Financial Regulations and Scheme of Delegation correspond to each other.
R2:	That improvements are made to the list of continuing contracts and obligations prepared in accordance with Financial regulation 5.6 to record additional detail: <ul style="list-style-type: none"> • The end date of the contract • Total contract value • Frequency of payment • Confirmation of a contract on file • Responsible committee or council for reviewing the contract • Review date - This should be at least three months prior to the expiry date of the contract to allow adequate time to carry out a procurement exercise and to test the market prior to ensure best value for money is secured.

R3:	That an appropriate policy or controls are introduced to manage approved suppliers and that this detail be set out in a separate policy with a reference to the Financial Regulation or that the policy requirement and procedures be incorporated within the Financial Regulations.
R4:	That a separate cost centre be set-up for the new council building purchase and that appropriate nominal codes be set-up to assign payments such as 'initial set-up costs', legal and professional fees etc.
R5:	That the council considers the appointment of a specialist business consultant to prepare a business plan to incorporate the delivery and management of the project following the purchase of St Johns Building. The business plan should record details of budgets and timeframes and appropriate income and expenditure details following completion of the project. Further comments relating to this project are included under the risk management section of the internal audit report.
R6:	As the council does not operate with petty cash or a credit card, it is recommended that consideration be given to applying for a replacement credit card which can offer an alternative payment method for online transactions and provide insurance cover in the case where products are not received.
R7:	As the council is embarking on a new building project that may include business activities, we would recommend that advice is sought from a VAT consultant as soon as possible as there may be VAT reclaim implications on surrounding building works that may fall within the scope of business activities that may require the council to register for VAT. Further guidance is available in the VAT notice 749 (relating to non-business activities).

Risk Management Arrangements

Internal Control Objective: This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Aim: To obtain assurance that risk management arrangements are adequate to manage all identified risks.

5.29 Risk Management Arrangements

5.30 Risk management is the process whereby authorities methodically address the risks associated with what they do and the services which they provide. Risk management is an ongoing activity that comprises four elements: identifying risks; assessing risks; addressing risks; and reviewing and reporting. This is demonstrated by key documents the council should have in place which include a Risk Assessment and a system of internal controls. This should be reviewed and adopted by the authority at least on an annual basis or when the risks change.

5.31 The councils corporate risk register was reviewed and updated by officers. The document was formally adopted by council at the meeting held in September 2022. This register is comprehensive and includes time limited actions assigned to officers and committees. We note that there are some major rated risks identified for business continuity and staff shortage. We recommend that the council considers appropriate controls in the 'additional controls required' column to assess what additional actions are required to reduce the risk rating to a manageable level.

- 5.32 We reported in our last year audit that some consideration be given to the risks associated with business continuity and staff cover for the Acting Clerk. As the risks were not considered in a timely manner it has exposed the council to a greater risk as the organisation was not able to function following the Acting Clerks period of sickness towards the end of May/June to August 2022. It is noted that the council did not have a Proper Officer or Responsible Financial Officer during the period of absence and subsequently council meetings were not held during the period of June and July. Although the council have agreed to appoint existing officers to Acting positions of Proper Officer and RFO as a short term measure at the meeting held in August 2022, it has not considered the impact of workloads and staffing incapacity which could inevitably expose the council to an a high risk for loss/absence of staff arising as a potential impact of workload pressures and stress.
- 5.33 The risk assessment does not address the risks associated with non-payment to suppliers via bank transfer. The council is currently reliant on the Acting RFO to set-up the payments which are then authorised by the Clerk/RFO once councillors have signed off the paperwork. We note that during the period of sickness the Acting Clerk/RFO was requested to sign off the payments electronically which is not good practice as the employee had been signed off work and should not have been undertaking any work for the employer. This was discussed with the incumbent Acting RFO during the audit visit and we are informed that the existing councillor signatories had the authority to sign cheques and that this system would have been used in the event that the council would find themselves in similar circumstances. We note that the council at the meeting held in August 2022 authorised the Temporary Assistant Town Clerk to be an authorised online signatory to make the online payments. The council should ensure the banking arrangements are kept under review and that the risk assessment is updated according to address risks and business continuity associated with payments to suppliers.
- 5.34 We are informed that the councils permanent Clerk/RFO is no longer with the organisation. We would recommend that the council considers the recruitment for this post at its earliest convenience and that this forms part of the councils risk assessment as part of addressing staffing capacity and business continuity.
- 5.35 Copies of activity based risk assessments were reviewed during the visit. Risk assessments have been carried out for the office, management of the building, events (Jubilee; Lighting the Beacon) and a fire risk assessment is in place.
- 5.36 The Council has commenced a new project with the purchase of the former St Johns building. It is understood that the building may require refurbishment and there may be scope for the council to undertake business activities. Managing a project of this type can be challenging and can impact on staffing capacity and finances. The council is due to consider a report at an extraordinary meeting of the full town council scheduled to take place on the 31st October which covers potential risks and recommendations from officers following advice from the East Riding of Yorkshire Local County Association. It is recommended that the council appoints a professional consultant to collate a project business plan to ensure that the aims and operation of the project are clear and that the expectations can be measured against realistic outcomes with identified timescales. The risks associated with this project should be set out a project risk assessment which forms part of the councils corporate risk register.

5.37 Insurance

- 5.38 The councils three-year long-term agreement with WPS Council Guard insurance company expires on the 31 May 2023. The council has adequate cover in place for public liability, employer's liability and fidelity guarantee. We note that the purchase of the new council building was added to the insurance policy. The Acting RFO has undertaken a review of the asset register and a copy has been provided to the insurance company to ensure council assets have appropriate cover.

5.39 Effectiveness of the System of Internal Control

5.40 Regulation 6 of the Accounts and Audit Regulations 2015 requires the council to conduct each financial year a review of the effectiveness of the system of internal control. The review assists the council to respond to the Annual Governance Statement, Assertion two.

5.41 The councils internal control policy was adopted on the 07 June 2021 and sets out the procedure for the internal control checks. The policy outlines the procedure that the council will implement to carry out the review of internal controls. The procedure requires the appointment of a working group of councillors to complete an internal control checklist, at least on an annual basis and to report the outcome at a council meeting.

5.42 We reviewed the documentation for the internal control checks for the first quarter carried out by Cllrs D Tucker and C Hopkins on the 29 July 2022 and the checks carried out on the 27 October 2022. We recommend that the reports are considered at a full council meeting and are formally evidenced in the council minutes by a council minute resolution and that any agreed recommendations be recorded in the minutes.

RECOMMENDATIONS	
R8:	That additional appropriate controls in the 'additional controls required' column are considered to assess what additional actions are required to reduce the risk rating to a manageable level for business continuity and staff shortages.
R9:	That the risk register records the risks and controls in place for banking arrangements, business continuity and payments to suppliers.
R10:	That the council considers the recruitment for the Town Clerk/RFO post at its earliest convenience and that this forms part of the councils risk assessment as part of addressing staffing capacity and business continuity.
R11:	St Johns Building Project - The risks associated with this project should be set out a project risk assessment which forms part of the councils corporate risk register.
R12:	That the internal control checks are formally recorded in the council minutes by a minute resolution with any recommendations agreed by the meeting.

Budgetary Controls and Financial Health

Internal Control Objective: The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Aim: Verify the annual precept request is the result of a proper budget process, that budget progress has been regularly monitored and the Councils reserves are appropriate.

5.43 Budgetary Controls and Financial Health

5.44 The preparation of an annual budget is one of the key statutory tasks to be undertaken by an authority, in setting the precept for the year and it provides officers with the authority to make spending

commitments in accordance with approved plans and for monitoring progress during the year by comparing actual spending against planned spending. At the time of the audit the budget process had not been undertaken by the council. A review of this control area will be undertaken at the year-end visit.

5.45 Reviewing the current year budget against actual expenditure on a regular basis gives members early warning about the likelihood of a shortfall (or surplus) and helps them to decide what responsive action to take. We can confirm that the council is receiving quarterly budget performance monitoring reports for all accounts and these are recorded in the council minutes.

Income Control including the Precept

Internal Control Objective: Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for

Aim: Obtain assurance that income controls are in place and operating effectively.

5.46 Income Controls Including the Precept

5.47 The precept represented the largest income received by the council. The precept request of £282,828.72 was agreed at the council meeting held on 29th November 2021. The first installment of the precept £141,414.36 was received in May 2022 and the second installment of £141,414.36 was received in October.

5.48 The councils' other sources of income relate to allotments and bank interest. We reviewed the documentation from the sales ledger and can confirm that appropriate income controls are in place. The invoices are raised from the RBS software and allotment rents have been received.

Petty Cash Procedures

Internal Control Objective: Petty cash payments were properly supported by receipts; all petty cash expenditure was approved and VAT appropriately accounted for

Aim: Obtain assurance that petty cash controls are in place and operating effectively

5.49 Petty Cash Procedures

5.50 The council does not maintain any petty cash floats as referenced within the Financial Regulations. The council may wish to consider introducing a petty cash float following the termination of the councils registered credit card.

Payroll Controls – Members and Chairman's Allowance

Internal Control Objective: Salaries to employees and allowances to members were paid in accordance with this authority's approvals, 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.

5.51 Payroll Controls

5.52 The council currently has three employees and payroll is outsourced. Employees receive their salary via bank transfer following approval of payroll reports by the Acting Clerk/RFO. We reviewed the council letters issued to two employees following contractual changes agreed by full council at the meeting held in August 2022 and payroll testing was carried out for the month of September. All payments were made in accordance with the agreed changes however we note that the salary for employee 2 had been processed based on the existing hours and the additional hours agreed had been processed as overtime. We would recommend that payroll are informed of the change to the contractual hours which have been increased to 29.5 hours. It is noted that employees two and three continue to receive home working allowances.

Post Holder Job Title	Contracted Hours
Employee 1	Point 31 – Employed for 35 hours per week
Employee 2	Pay Point 24 - Employed for 22 hours per week and additional 7.5 hours agreed for a period of six months (as resolved by full council 15/08/22).
Employee 3	Pay Point 22 - Employed for 35 hours per month and additional 10 hours agreed for a period of six months (as resolved by full council 15/08/22).

5.53 We reviewed the pension records and contributions calculated by payroll for the month of September. The calculations corresponded to the payslips and no issues were identified. We can confirm that HMRC payment deductions corresponded to the payroll records and were paid to HMRC in a timely manner.

5.54 Members and Chairman Allowances

5.55 Members continue to receive an annual allowance of £250.00 which was reviewed and agreed at the annual council meeting held in May 2022. It is noted that not all members take their allowance. Allowances are paid via payroll and deductions are made accordingly.

5.56 In accordance with the Local Government Act 1972 (s.15) a council can pay its Chairman a reasonable allowance to meet the expenses of the Chairman's office. From the £1,500 allowance available for the Chairman/Mayor, £1,409.80 was paid via payroll on the 30 June 2022 and Tax and NI contributions were deducted accordingly. We note a payment of £185.70 was paid for the Mayors travel on the 26 May 2022. We are informed that this relates to travel outside of Beverley to civic events, parking and tolls as required. The council has a policy for 'Civic Protocol and Procedures' that was adopted by the town council on 10 January 2022. Page 17 of the policy sets out the criteria for expenses and we note that travel costs associated with civic visits within the parish are met by the allowance and the travel expenses for civic visits outside the parish are costs outside of the fixed mayoral allowance.

Asset and Investment Registers

Internal Control Objective: Asset and investments registers were complete and accurate and properly maintained.

Aim: To provide assurance that all material assets are accounted for correctly

5.57 Asset and Investment Registers

5.58 The asset register has been updated to include a new column to confirm the asset replacement value as recommended in our last internal audit report however we note that this column remains blank. There is

a separate detail for each section of the assets that include a detailed breakdown of locations. We tested the data for the noticeboards and Beverley in Bloom and found that whilst the detail was recorded, the detail for the location was not precise to locate the asset. We found that the main asset register recorded 68 hanging baskets for Beverley in Bloom with a location of 'around town'. When we reviewed the breakdown of this data, it stated 80 hanging baskets and the location was recorded as 'stored at BCP'. We recommend that the asset detail is reviewed and that the main asset register data and the breakdown recorded in the separate tabs correspond to each other and that any discrepancies be addressed. It is noted that the new council building has been recorded on the register.

5.59 An Asset Register policy has been prepared by officers and is due to be presented to the councils Policy and Finance committee. The policy sets out the procedure and valuation for recording assets taking into account the guidance from the Governance and Accountability Practitioners Guide.

5.60 Officers are aware of the councils' requirements to carry out a physical check of the assets to verify their existence and in accordance with the Financial Regulations. Due to staffing issues this has not been actioned. The council could discharge this responsibility to a committee who could assist the RFO to undertake the checks.

RECOMMENDATIONS

R13:	That the main asset register data and the breakdown recorded in the separate tabs correspond to each other and that any discrepancies be addressed.
R14:	That a physical check of the assets be undertaken prior to the 31 March 2023 in accordance with the Financial Regulations.

Periodic Bank Reconciliations

Internal Control Objective: Periodic and year-end bank account reconciliations were properly carried out.

Aim: To provide assurance that bank reconciliations were carried out on a regular basis and reported to Council.

5.61 Periodic Bank Reconciliations

5.62 The bank reconciliation is a key tool for the management of the accounts as it assists with regular monitoring of cash flow which aids the authority with their decision making. Internal audit testing in this control area requires the auditor to provide assurance that the bank reconciliations are prepared routinely and are subject to independent scrutiny and sign off by members.

5.63 Bank Reconciliations are routinely carried out by the Acting RFO. We note that although the bank balances are reported to the Policy and Finance committee, the reconciliation statement document is not being verified by a member of the committee who is a non-signatory to the accounts. Approval of the bank reconciliation by the Council or the Chair of Policy and Finance or another nominated member whom are not signatories to the account is not only good practice but it is also a safeguard for the RFO. This requirement is in compliance with Financial Regulation 2.2 which states 'On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman or a cheque 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 council’.

5.64 We carried out checks to confirm that the bank reconciliation balances corresponded to the original bank statements. Audit testing was carried out for the month of September. No issues were identified in this area. The balances for the accounts were noted:

- Virgin Money Business Account (Current Account) - £213,650.52
- Virgin Money Cash Management Account – Deposit Reserves Account) - £25,499.05
- Youth Support Account - £1,500.67
- Beverley Building Society Bond - £84,163.06
- Public Sector Deposit Fund - £101,076.83

RECOMMENDATION

R15:	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.
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6. Other Matters

6.1 Internal Audit Recommendations Action Plan

A copy of the internal audit action plan was provided by officers. The action plan has been reviewed by full council at the meeting held on the 26th September minute reference 66/22(b)(ii). As reported in our last year-end audit report, the council has made good progress to address the recommendations and is continuing to ensure that weaknesses are being addressed in a timely manner.

6.2 External Audit Fees & Challenge Correspondence

The challenge correspondence relating to the 2019/20 and 2020/21 financial years has been completed by External Audit and the outcome was issued to the town council in July 2022. The costs relating to the challenge correspondence is in the region of £7,000. It has been brought to our attention that challenge correspondence has been submitted in relation to the 2021/22 financial year and the council was provided with an interim certificate.

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

Beverley Town Council

Recommendations - Interim Internal Audit Report 2022/23

1. Appendix A – Recommendations Action Plan

No	Recommendation	Page No	Responsible Officer	Committee	Timescale
1	That the expenditure delegations for the Town Clerk in the Financial Regulations and Scheme of Delegation correspond to each other.	6			
2	That improvements are made to the list of continuing contracts and obligations prepared in accordance with Financial regulation 5.6 to record additional detail: <ul style="list-style-type: none"> The end date of the contract Total contract value Frequency of payment Confirmation of a contract on file Responsible committee or council for reviewing the contract Review date - This should be at least three months prior to the expiry date of the contract to allow adequate time to carry out a procurement exercise and to test the market prior to ensure best value for money is secured. 	6			
3	That an appropriate policy or controls are introduced to manage approved suppliers and that this detail be set out in a separate policy with a reference to the Financial Regulation or that the policy requirement and procedures be incorporated within the Financial Regulations.	7			
4	That a separate cost centre be set-up for the new council building purchase and that appropriate nominal codes be set-up to assign payments such as 'initial set-up costs', legal and professional fees etc.	7			
5	That the council considers the appointment of a specialist business consultant to prepare a business plan to incorporate the delivery and management of the project following the purchase of St Johns Building. The business plan should record details of budgets and timeframes and appropriate income and expenditure details following completion of the project. Further comments relating to this project are included under the risk management section of the internal audit report.	7			

No	Recommendation	Page No	Responsible Officer	Committee	Timescale
6	As the council does not operate with petty cash or a credit card, it is recommended that consideration be given to applying for a replacement credit card which can offer an alternative payment method for online transactions and provide insurance cover in the case where products are not received.	7			
7	As the council is embarking on a new building project that may include business activities, we would recommend that advice is sought from a VAT consultant as soon as possible as there may be VAT reclaim implications on surrounding building works that may fall within the scope of business activities that may require the council to register for VAT. Further guidance is available in the VAT notice 749 (relating to non-business activities).	7			
8	That additional appropriate controls in the 'additional controls required' column are considered to assess what additional actions are required to reduce the risk rating to a manageable level for business continuity and staff shortages.	9			
9	That the risk register records the risks and controls in place for banking arrangements, business continuity and payments to suppliers.	9			
10	That the council considers the recruitment for the Town Clerk/RFO post at its earliest convenience and that this forms part of the councils risk assessment as part of addressing staffing capacity and business continuity.	9			
11	St Johns Building Project - The risks associated with this project should be set out a project risk assessment which forms part of the councils corporate risk register.	9			
12	That the internal control checks are formally recorded in the council minutes by a minute resolution with any recommendations agreed by the meeting.	9			
13	That the main asset register data and the breakdown recorded in the separate tabs correspond to each other and that any discrepancies be addressed.	12			
14	That a physical check of the assets be undertaken prior to the 31 March 2023 in accordance with the Financial Regulations.	12			