



Beverley Town Council Internal Audit Report [Interim]

Financial Year Ending 31st March 2024



**BEVERLEY
TOWN COUNCIL**
WORKING AS A COMMUNITY

Date of Interim Visit: 31 October 2023

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Prepared by: Internal Audit Yorkshire

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

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Statement of Responsibility

1.1 Background

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. The Accounts and Audit Regulations 2015; 5 (1) requires a relevant authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.' The proper practices for smaller authorities (Town and Parish Council's) are included in the Governance and Accountability for Smaller Authorities, the Practitioners Guide. A copy of this guide is available from the NALC website.

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. 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.

1.2 Purpose of Internal Audit

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. Internal auditing tests the continuing existence and adequacy of the authority's internal controls. 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. It results in an annual assurance report to members designed to improve effectiveness and efficiency of the activities and operating procedures under the authority's control.

1.3 Responsibility

Managing the authority's internal controls is a day-to-day function of the authority's staff and management, and not the responsibility of internal audit. The internal audit work was undertaken in accordance with the agreed scope of assignment and in accordance with the letter of engagement. The council as a corporate body is responsible for ensuring that council business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for. This report and findings are based on the information that was made available during the course of the audit. The matters raised in this report should not be read as a comprehensive statement of all the weaknesses identified or all improvements to be made. Internal Audit work should not be relied upon to identify all circumstances of fraud and irregularity, should there be any. Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

1.4 Our Objectives & Programme of Work

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.

Our programme of cover has been designed to afford reasonable assurance that the Councils financial systems are operating to an adequate standard and where applicable in compliance with the 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'. 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].

The Council

1.1 Beverley Town Council

Beverley Town Council was formed in 1999 and is the first tier of local government within the district of East Riding of Yorkshire Council which is the second tier of local government. In accordance with Section 6 of the Local Audit and Accountability Act 2014 the council is recognised as a 'Smaller Authority'. For the purposes of the Accounts and Audit Regulations 2015, a smaller authority may also be referred to as a 'Category 2 authority' and for the purposes of the Practitioners' Guide this includes parish and town councils. The Town Council comprises of 14 councillors who are elected on a four-year cycle representing the Minster North, Minster South, St Mary's East and St Mary's West wards of Beverley. The recent elections took place in May 2023 which we understand included the election of several new members who had not previously served on Beverley Town Council. Members have received basic training on their roles and responsibilities and finance and audit.

1.2 The Town Council is responsible for the Skatepark and five allotment sites at Sparkmill, Kitchen Lane, Queensgate, Lairgate and Keldgate. Two of the allotment sites are directly owned by the town council and the sites at Keldgate and Lairgate are owned by East Riding of Yorkshire Council and leased to the Town Council. The site at Queensgate is leased from Beverley Consolidated Charity. Storage facilities at Oldbeck Road and Well lane are rented by the Town Council in addition to the council offices at Well Lane. The council supports the work of Beverley in Bloom and directly manages the hanging baskets scheme that local shops, businesses, pubs and cafes buy into. Other community-based activities and initiatives include town centre events and litter picks. Working in conjunction with East Riding of Yorkshire Council, the council provides funding towards the CCTV scheme and some street lighting within the parish of Beverley.

1.3 The Council is supported by a small administration team comprising of three members of staff under the direct supervision of the Town Clerk. The council have recently recruited for a new member of staff. Four committees were appointed at the Annual Council meeting held in May 2023 and Cllr Tom Astell was appointed as the Town Mayor for the 2023/2024 civic year taking over from Cllr Linda Johnson who was the former Town Mayor for the 2021/22 and 2022/2023 civic years. During the last financial year, the council embarked on a new project involving the purchase of the former St Johns building to house their new offices and to offer a community space. The precept for the 2023/2024 financial year was £292,693.

1.4 The council have had historic issues since 2019 relating to objections being raised against the accounts and submitted to the external auditor PKF Littlejohn's. Further comments in relation to these matters are set out in page 30 of our report.

Our Scope of Work During the Interim Visit

1.1 The following areas were covered during our interim visit in October 2023.

- Accounting Records
- Payment Controls [Standing Orders, Financial Regulations, Expenditure Testing & VAT]
- Risk Management
- Budgetary Controls and Financial Health
- Income Controls including the precept
- Petty Cash (Not applicable)
- Payroll Controls and Members Allowances
- Asset and Investment Registers (to be covered at year-end)
- Bank Reconciliations

1.2 We would like to thank the Responsible Financial Officer Carol Oliver and council officers for all their help and assistance with the audit.

Internal Audit Findings and Recommendations

Accounting Records

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.

Internal Audit Testing	Compliance	Findings & Recommendations
Has the council appointed a Responsible Financial Officer (RFO)? <i>*The council need to appoint an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972</i>	Yes	The RFO is responsible for the financial administration of the council in accordance with section 151 of the Local Government Act 1972. Following internal staffing changes, the council have appointed the Temporary Assistant Responsible Financial Officer to the role of Responsible Financial Officer which commenced on the 01 st April 2023. This was evidenced within the contract of employment reviewed during the audit.
Has the Responsible Financial Officer (RFO) determined a form of accounting and supporting records which have been maintained throughout the year? <i>*The cash book is the main focus for the day-to-day accounting and balancing off and reconciliation to the bank statement, and remains the most important control over the accounting system.</i>	Yes	<p>The RFO continues to maintain the day-to-day book-keeping on the RBS Omega Accounting Software. The software assists with the preparation of VAT returns, reporting and bank reconciliations. The software has a built-in purchase order ledger and a sales ledger for the issuing of invoices. The councils bank accounts remain unchanged since the 31st March 2023 and separate cash-books are set-up on the RBS Omega Accounting Software.</p> <ol style="list-style-type: none"> 1) Virgin Money Business Account (Current) 2) Beverley Building Society Bond 3) Public Sector Deposit Fund 4) Virgin Money Credit Card cashbook (for monitoring credit card transactions only) <p><u>St Johns Building Project – Nominal Codes</u> Following the recommendation from our 2022-2023 interim audit, the RFO has set-up a new cost centre 'New Building Purchase' which has several expenditure lines set-up for example, Utility costs, project manager costs etc.</p>
Do the previous year's annual return figures agree with the current year's opening balances in the cash book?	Yes	£372,953 was recorded in box 7 of the accounting statement at the 31 st March 2023. A report from the RBS Omega Accounting Software confirmed that this amount had been carried forward correctly as the opening balance at the 01 st April 2023.

<p>Do the accounting records contain entries from day to day of all sums of money received and expended by the council? Is the arithmetic correct?</p>	<p>Yes</p>	<p>Copies of all the cashbooks were made available during the audit which recorded the day-to-day transactions. These had been reconciled with the bank statements up to the end period of September 2023.</p> <p>The cashbook transactions for the month of September were selected for audit. Tests were undertaken to review the monthly transactions for data input accuracy against the actual invoice and the bank statement transactions to ensure that they all corresponded to each other. The minor issues identified were discussed with the RFO during the audit visit. These related to:</p> <ul style="list-style-type: none"> ➤ Inputting error resulting in an underpayment of 23p. The supplier has subsequently written off this amount. ➤ Inputting error resulting in an underpayment of 6p. RFO has subsequently spoken to the company and payment will be arranged. ➤ Error on coding relating to home working allowances which had been rectified at the time of inputting. <div style="background-color: black; color: white; text-align: center; padding: 5px;">RECOMMENDATION</div> <div style="background-color: #f0f0f0; padding: 5px;"> <p>RECOMMENDATION 1: That the input detail is carefully reviewed prior to posting the payments in the accounting system and that additional checks are undertaken by the RFO prior to paying the supplier to ensure that any errors on coding are rectified and that the correct payments are made.</p> </div>
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Payment Controls [Standing Orders – Financial Regulations – Expenditure Testing & VAT]

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

Internal Audit Testing	Compliance	Findings & Recommendations
Has the Council adopted the Standing Orders and are these in accordance with the latest NALC model?	Yes	A review of the Council's Standing Orders previously adopted in September 2021 was carried out by the Policy and Finance committee and following a recommendation to full council at the meeting held on the 10 th July 2023 the Standing Orders were re-adopted (minute reference 51/23).
Has the Council adopted Financial Regulations and are these up to date with the latest NALC Model? And tailored to the Council?	Yes	A recent review of the council's Financial Regulations took place and these were re-adopted by full council at the meeting held on the 10 th July 2023.
Are there procedures for formal tenders and quotes consistent with the Standing Orders and Financial Regulations?	Yes – See comments	<p>The procedures and values for formal tenders (exceeding £25k) remain consistent with each other however the council is requested to note the amendments in relation to the Public Contracts Regulations 2015.</p> <p><u>Public Contracts Regulations 2015</u> The current NALC model Financial Regulations are not updated in relation to the Public Contracts Regulations 2015 following the amendment by Central Government. It is unclear from the current adopted Financial Regulations if the £25,000 threshold is inclusive or exclusive of VAT. We would recommend that the wording is clarified in both the Standing Orders and Financial Regulations.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center;">RECOMMENDATION</p> <p>RECOMMENDATION 2: That the Standing Orders and Financial Regulations relating to the Public Contracts Regulations be reviewed to clarify the amount of '£30,000 (inclusive of VAT)' to ensure consistency with the tender value for formal contracts following the amendment by Government on the 21 December 2022 (SI 2022/1390), see link: https://www.legislation.gov.uk/ukSI/2022/1390/made</p> </div>

<p>Does the authority to incur expenditure in the Financial Regulations correspond with the committees delegated authority to spend and council approved budget? <i>*Review the Fin Regs, Scheme of Delegation & Council Approved Budget.</i></p>	<p>Yes</p>	<p><u>Standing Orders & Financial Regulations</u> The payments process should always be carried out in accordance with the authority's Financial Regulations which is the councils' primary financial controls document that sets out how the council will manage its financial administration. 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. The council have all three documents adopted.</p> <p><u>Authority to Spend & Payments Controls</u> 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:</p> <ul style="list-style-type: none"> • The Council for all items over £5,000 • A duly delegated committee of the council for items up to £5,000; or authorisation of routine expenditure within the agreed budget • The Town Clerk, in conjunction with Chairman of the Council or Chairman of the appropriate committee, for any items below £2,000 • Emergency Expenditure up to £2,000 • The Town Clerk has the authority to spend for any items up to £2,000 on the town hall project for a limit of one year which will be reviewed in a years' time, in conjunction with the Chairman of Council and/or appropriate committee. <p><u>Scheme of Delegation</u> The Councils Scheme of Delegation was reviewed and re-adopted by full council at the meeting held on the 10th July 2023. The Scheme of Delegation incorporates the councils' delegated powers to Officers and Committees (terms of reference) and where stated indicates the delegated authority to spend. It is noted that the following committees were appointed at the Annual Council meeting held in May 2023.</p> <ol style="list-style-type: none"> 1) Policy & Finance Committee – No authority to incur expenditure but can allocate grant funding in accordance with the council approved policy. 2) Planning, Environment & Services Committee - Delegation to incur expenditure to a maximum of £5,000 for functions and services relevant to that committee. 3) Personnel Committee - Delegation to incur expenditure to a maximum of £5,000 for functions and services relevant to that committee.
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<p>Are all payments listed in the cashbook supported by invoices, authorised and minuted in accordance with the Financial Regs? Certification of an account stamp used? Do the instructions for the payment of invoices comply with the Financial Regulations?</p>	<p>Yes</p>	<p><u>Expenditure Testing</u> A review of the cashbook payments was carried out and a selection of invoices were tested to ensure compliance with the Financial Regulations. The majority of council payments relate to contracts that form part of the continuing contracts and obligations list (see findings below) or routine expenditure authorised by officers within the thresholds set out in the Financial Regulations.</p> <p><u>Summary of Findings</u></p> <ul style="list-style-type: none"> ➤ The payments in the cashbook were supported by invoices with the exception of two transactions relating to a utility invoice and a lease payment. This was raised with the RFO during the audit who agreed to action this. ➤ Each individual invoice had an authorisation sheet which could be tracked back to the original order for incurring the expenditure. This had been signed off by two signatories. ➤ The authorisation sheet included details of the expenditure authorised and instruction for payment and the date/minute reference of the payment being presented to council for approval. ➤ A review of the minutes confirmed that the schedule of payments was routinely reported to the Full Council or the Policy and Finance committee for approval and a list of transactions were disclosed in the minutes. ➤ Authorisation to incur expenditure in relation to legal proceedings were not clearly documented in the minutes of the Personnel or Full council meeting (refer to findings below).
<p>Is there a segregation of duties between writing cheques and/or setting up online payments and physical release of payments?</p>	<p>Yes</p>	<p>The majority of the council payments are made via bank transfer, standing orders and direct debits. Cheque payments are not in use and the RFO informed us that the signing of cheques requires three signatories. It is noted that during the current financial year a review of the signatories was carried out by full council. The RFO informed us that the current signatories comprise of:</p> <ul style="list-style-type: none"> ➤ Cllrs P Astell, T Astell, D Healy, G Johnson, L Johnson, A Ramsdale, J Rebecchi, P Regina <p>Following the adoption of the updated Financial Regulations in July 2023, the council have authorised additional officers to set-up payments in the absence of the RFO which is reflected within the updated Financial Regulations. The current controls require a council officer to set-up an online banking payment and two councillors to authorise the transaction. We are informed that all councillors on the accounts are full signatories but cannot set-up payments.</p> <ul style="list-style-type: none"> ➤ The Town Clerk has the authority to authorise payments but cannot set-up a payment. ➤ RFO – restricted access to setting up payments and admin/view access ➤ Assistant Town Clerk/Civic Officer – is an authorised user in the Town Clerks absence ➤ New Admin & Support Assistant – will be a user to set-up payments only not authorise

		<p>It is noted that the councils Financial Regulations do not allow a member who is a bank signatory, having a connection by virtue of family or business relationships with the beneficiary of a payment, to be a signatory to the payment in question. The councils 'Internet Banking Policy' was updated in September 2023 and whilst it sets out a basic procedure for making electronic payments, the procedure does not appear to be clear on the authority and controls in place to set-up an online payment and the authority, identify (i.e., councillor or officer) and number of signatories to approve the online transaction. Further consideration should be given to developing the policy to include clear internal controls to reflect the actual practices for the making of online payments. Financial Regulation 6.15 refers to internet banking arrangements however there appears to be no reference relating to the 'Internet Banking Policy'. Where the council is operating with a separate policy, it should ensure that the Financial Regulations are updated to refer to the policy or alternatively, the controls in the policy should be incorporated within the Financial Regulations which would no longer require a separate policy.</p> <div style="background-color: black; color: white; text-align: center; padding: 2px;">RECOMMENDATION</div> <div style="border: 1px solid black; padding: 5px;"> <p>RECOMMENDATION 3: Where the council is operating with a separate 'Internet Banking Policy', it should ensure that the Financial Regulations are updated to refer to the policy or alternatively, the controls in the policy should be incorporated within the Financial Regulations which would no longer require a separate policy. The controls for online banking payments to be reviewed to ensure that they are clear and reflect the actual practices for the making of online payments.</p> </div>
Is there an authorised list of continuing contracts and obligations?	Yes	<p>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. Financial Regulation 5.6 refers to a list of ongoing contracts and obligations to be drawn up and authorised by council for that financial year. Following a review of the minutes it is noted that the council approved the list of continuing contracts and obligations at the meeting held on the 27th March 2023, minute reference 165/22(c). An electronic copy provided by the RFO was reviewed. Following our recommendation from the last financial year internal audit, it is noted that some improvements have been made to the list of continuing contracts and obligations for example the start date and end date for each contract, however additional improvements could be made to include the total contract value and frequency of payments for payment control purposes.</p> <p>Financial Regulation 5.7 requires a record of regular payments made under 5.6 to be drawn up and be signed by two members on each and every occasion when payment is authorised - thus</p>

controlling the risk of duplicated payments being authorised and / or made. Although the council have approved the list the list of continuing contracts and obligations, it is recommended that additional controls are set-up by the RFO to ensure compliance with Financial Regulation 5.7.

RECOMMENDATIONS

RECOMMENDATION 4:

That the list of continuing contracts and leases includes a column to indicate the total contract value and the frequency of payments.

RECOMMENDATION 5:

That additional internal controls are introduced by the RFO to ensure compliance with Financial Regulation 5.7.

Does the council have any direct debits or Standing Orders in place? Have these been reviewed in accordance with the Financial Regulations?

Yes

The councils list of direct debits was approved by council resolution at the full council meeting held on the 27th March 2023, minute reference 165/22 (d). It is recommended that additional detail be included in the list to confirm the payment date for payment control purposes.

Standing Orders and Direct Debits - 2023/24		
Standing Orders		
Monthly		
Geoff Simpson Holdings	Unit 2	£529.20
Linley Simpson	Well Lane Garage Rental	£80.00
Minster Cleaning	Office cleaning	£210.00
Quarterly		
DH Fletcher	Office Rent	£3,500.00
Direct Debits		
Monthly		
Hallbeck IT	IT equipment, software, licences, support and off site back up of server	Variable
KRL Group	Photocopier usage	Variable
Kcom	Office Internet	Variable
British Gas	Office Gas	Variable
TC Central Limited	Payroll processing fees	£44.10
Enreach UK Ltd	Office Telephone	Variable
Peac UK	Office telephone equipment	Variable
Three.co.uk	Staff Mobiles	£15.00
East Riding of Yorkshire Council	Town Hall Rates	Variable
Quarterly		
EON	Office electricity, 6 x CCTV camera electricity	Variable
Scottish Water	Town Hall Water	Variable
Siemens Financial Services	Photocopier Lease	Variable
Annual		
Information Commissioner Office	Data Protection	Variable

		<p style="text-align: center;">RECOMMENDATION</p> <p>RECOMMENDATION 6: That an additional column is inserted in the list of direct debits and standing orders to detail the payment date for payment control purposes.</p>
Does the council have any services level agreements in place? Are these signed and in place. Has a review been carried out?	Yes	<p>The council have several level agreements in place with the East Riding Yorkshire Council. These were reviewed at the annual council meeting held on the 15 May 2023. The RFO informed us that the council is due to carry out further reviews prior to the end period of the service level agreements. It is noted that the CCTV SLA is due to expire soon.</p> <ol style="list-style-type: none"> 1) Data Protection 2) Street Lighting (does not have an end date) 3) Christmas Lighting 4) CCTV
Has the council complied with the quotations procedures for obtaining quotations and formal tender requirements? <i>*Review the procedures of approved suppliers.</i>	Yes	<p>As referenced within the earlier part of our findings, the majority of payments are made in accordance with a contract or an ongoing obligation paid via direct debit or standing order. The council have not carried out any significant procurement tendering during the current financial year. In our last financial year internal audit report, we were informed by the RFO that the council had collated a list of approved suppliers. During the audit a copy of the 'Approved Suppliers Policy' adopted in October 2023 was provided by the RFO. This policy was reviewed and it is noted that there are no specific requirements to become an approved supplier which raises the question of the intent and purpose of the policy. Further consideration should be given to the purpose of the policy and the specific assessments and criteria required to become an approved supplier or if there is a requirement to have such a policy. Further guidance should be obtained, if necessary, from the Local County Association.</p> <p style="text-align: center;">RECOMMENDATION</p> <p>RECOMMENDATION 7: That further consideration be given to the purpose of the 'Approved Suppliers Policy' and the specific assessments and criteria required to become an approved supplier or if such a policy is required. Further guidance should be obtained, if necessary, from the Local County Association.</p>

Maintenance Contract 'Handyman Services'

The invoice for the maintenance contract was reviewed during the audit. The contract was initially awarded in 2021 and has been extended for a further 12 months in accordance with the agreed terms of the contract which are due to expire in April 2024 (extended in accordance with Financial Regulation 11.1 (iv)). It was noted that the invoice details related to charges for a number of hours per week for 'Handyman' duties. This was discussed with the RFO in relation to the parameters of employed personnel and self-employed contractors. The council should ensure that future arrangements of this nature and contract details are carefully reviewed and appropriate tests applied using the HMRC Employment Status Indicator tool where necessary to determine an individual's employment status.

RECOMMENDATION

RECOMMENDATION 8:

That prior to carrying out the procurement and agreeing the terms of the contract for Handyman/Maintenance services, that the council considers the use of the HMRC Employment Status Indicator to confirm the employment status. This will assist the council with ensuring that the correct contract type is in place.

Legal Fees

Legal fees have been incurred within this current financial year in connection with an ongoing confidential matter which we are informed has led to an unexpected legal dispute which has subsequently impacted on the financial position of the council. Although the council have approved the payments as part of the payments schedule presented to council/committee, no specific council or committee resolution confirming the appointment of legal representation and/or exemption applied where applicable in accordance with the Financial Regulations could be found. It is noted that the Personnel Committee have historically allocated funds for legal advice and for budget purposes however following a review of the minutes and following clarification from council officers, no specific council resolution could be found in relation to the recent legal fees. The minute resolutions in respect of this matter were brought to our attention which is duly noted and the council officers have commented that it has been their understanding that the authority to incur legal fees was on the understanding that the council resolved to '*take robust action as necessary to deal with ongoing issue*', see minute details below:

- Personnel Committee Minutes Dated 20th December 2021 min no: 29/21 (i) *it was resolved to receive legal advice from Bridge MacFarland*'.
- Full Council Minutes Dated 12th December 2022 min no 112/22 '*This Council will take robust action as necessary to deal with ongoing issue*'

		<p style="text-align: center;">RECOMMENDATION</p> <p>RECOMMENDATION 9: That the council and the RFO ensures that the ordering and procurement of services are carried out in compliance with the Financial Regulations and clearly documented in the council minutes. Where the matter relates to a confidential issue, additional care should be undertaken to ensure that resolutions that are confidential or for some other special reason not in the public interest be still recorded in the minutes without undermining or disclosing the confidential or otherwise sensitive information.</p>
<p>Are there any credit/debit cards in use?</p> <p><i>*Establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place.</i></p>	Yes	<p><u>Debit Card</u> The council continues to operate with a debit card that is registered with the councils current account (Virgin money – previously Yorkshire Bank). The card is registered to the Town Clerk as the card-holder. The RFO has informed us that there had been fraudulent activity picked up on the councils' debit card which resulted in an investigation by the bank who had refunded the amount of £599.94. Although Financial Regulation 6.8 restricts the spend on a debit card to a maximum of £500.00 the card itself has weaknesses in controls as there is no restricted cap placed by the banking provider. The council is recommended to consider termination of this card and to replace this with a credit card as required capped to a maximum limit as deemed appropriate by the council.</p> <p><u>Credit Card</u> The RFO has informed us that a credit charge-card is now in operation registered with the RFO that is capped to a maximum limit of £2,000. The balance on the card is charged back to the Virgin Money current account. At the time of the audit being undertaken there had been no expenditure incurred via the credit card. Although Financial Regulation 6.18 authorises the use of the card, there appears to be no controls in place for the usage of the card which should generally be restricted to the purchase of items where it would not be practical to follow the normal ordering process. There are no procedures in place in the event that the card-holder leaves the organisation.</p> <p style="text-align: center;">RECOMMENDATIONS</p> <p>RECOMMENDATION 10: That consideration be given to terminating the debit card and replacing this with a credit charge card with appropriate limits and that the Financial Regulations be updated accordingly.</p>

		RECOMMENDATION 11: That consideration be given to updating the Financial Regulations in relation to the credit charge-card to include procedures for the usage of the card and procedures in the event that the card-holder leaves the organisation.
Is S137 separately recorded and within limits? Is S137 expenditure of direct benefit to electorate? Is S137 expenditure minuted? Or does the council have the General Power of Competence?	See comments	A discussion was held with the RFO regarding the legal powers to incur expenditure. The Town Council is unable to declare the General Power of Competence due to not meeting the criteria. The RFO is aware of the powers and the requirements of S137. Confirmation was provided during the audit that no expenditure had been incurred under section 137 of the Local Government Act 1972.
Is VAT correctly recorded in the cashbook and linked to invoices?	Yes	Cashbook transactions for the month of September were selected for audit. The invoices were reviewed against the cashbook to ensure that VAT had been linked to the transaction and appropriately recorded. One minor issue was identified with the calculation of the VAT. One payment relating to the monthly payroll fees which included VAT, did not have a supporting VAT invoice on file. The RFO informed us that an annual VAT invoice had been received in relation to this payment. The other payment related to a British Gas invoice which was filed however this did not have the correct billing period (see findings above). The RFO agreed to action this. <div> RECOMMENDATION RECOMMENDATION 12: That copies of VAT invoices are retained on file to ensure that appropriate evidence is retained for VAT reclaim purposes. </div>
VAT evidence, recording and reclaim?	Yes	The RFO continues to submit VAT returns on a quarterly basis in accordance with the VAT 126 form using the RBS Omega Accounting system. The VAT returns were reviewed against the underlying details submitted to HMRC. Returns had been submitted up to the period ending September 2023 (Quarter 2). <u>VAT Registration</u> In our last financial year report, it was recommended that the council seeks specialist VAT advice from a VAT consultant due to the VAT implications that may arise following the purchase and renovation of the St Johns Building. It is noted from the council minutes that DCK Accounting

Solutions have been appointed to assist with matter and following advice the council have taken steps to register for VAT. At the time of the audit this matter was ongoing.

RECOMMENDATION

RECOMMENDATION 13:

That council officers receive appropriate VAT training following the council's registration of VAT and that the councils accounting software is updated as required to reflect and implement the changes and that appropriate training on VAT reclaims and any year-end partial exemption summaries be considered.

Risk Management

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.

Internal Audit Testing	Compliance	Findings & Recommendations
Annual risk assessment carried out? Does this include all financial and non-financial related risks?	Yes	<p>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.</p> <p>The councils corporate risk register was reviewed and updated by officers. The document was formally adopted by council at the meeting held in on the 11th September 2023. This register continues to be comprehensive and includes time limited actions assigned to officers and committees. The risk rating for business continuity and staff capacity have been reduced to reflect the internal staffing changes approved by council and the Financial Regulations have been updated to reflect the changes and business continuity measures in the absence of key personnel.</p>

		<p>The amber risk rating relates to an ongoing confidential matter which has required the council to invoke the insurance claim for legal expenses. The RFO has informed us that arrangements have been agreed with the insurance company for use of legal services appointed by the council subject to the shortfall being met by the council. This has subsequently led to officers bringing this to the attention of the council and appropriate virements being agreed to ensure that the council does not overspend and that non-budgeted costs can be met. The risk register is a live document and the council and officers should ensure that this remains updated at all times.</p> <p><u>New Town Hall Project & Public Works Loan Board (PWLb)</u></p> <p>A specific project risk assessment has been developed by the Town Hall advisory group and adopted by the council. A review of the document confirmed that this is a comprehensive register and is being closely monitored as it is being used by the council to direct the next steps of the project. A copy of the confidential interim business strategy was provided during the audit and included detailed information to direct the next stages of the projects alongside the risk assessment. The council need to be mindful that no expenditure be authorised in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the council is satisfied that the necessary funds are available and the requisite borrowing approval has been obtained. It is noted that earmarked funds are available for some parts of the project and a public consultation is due to take place in relation to the councils Town Hall project which is a requirement for any application to the Public Works Loans Board.</p>
Have the assets been inspected for risk and H&S purposes and do inspection records exist? Is there appropriate monitoring in place? (Play areas, sports pitches, open spaces etc)	Yes	<p>The council have appointed Worknest as its health and safety and HR provider. Training has been provided to officers to undertake appropriate risk assessments. It is understood that appropriate monitoring is in place for council assets for health and safety purposes however detailed testing was not undertaken to review inspection records due to the new provider being in place and this matter being reviewed by council officers.</p> <p>The council have formally agreed to adopt site and project specific risk assessments. These were reviewed during the audit and related to:</p> <ul style="list-style-type: none"> ➤ The office ➤ Function based activities and Site Specific (Allotments; Street Lighting, Christmas Lighting, Hanging baskets/planters, flags and office) <p>There has been an overall improvement in the risk management arrangements since the last year. It is recommended that risk management continues to be closely monitored by council members and officers and appropriate actions taken to reduce the risk rating where required.</p>

Evidence of annual insurance review?	Yes	<p>The council's previous insurance cover was taken out with WPS Council Guard Insurance. This company has now rebranded to James Hallam Limited and the insurance cover has been provided by Aviva. The RFO informed us that competitive tendering could not be undertaken by council officers following the expiry of the existing three-year long-term contract that was due to end in May 2023. This was due to the councils ongoing legal expenses claim. The insurance was renewed by minute resolution at the full council meeting held on the 15th May 2023, minute reference 17/23. The insurance period commenced on 01/06/2023 and expires on 31/05/2024.</p>
<p>Is the insurance cover appropriate and adequate?</p> <p><i>*Appropriate cover should be in place for land, buildings, public, employers, hirers (where applicable) liability, fidelity employees (inc cllrs), business interruption & cyber security</i></p>	Yes	<p>The insurance policy dated 02 June 2023 and 30th August 2023 were reviewed. Appropriate levels of cover for the main insurable risks of public liability, employers' liability, business interruption was found to be in place. The level of fidelity cover was part of the 'Commercial Crime' insurance cover taken out and the amount insured was found to be adequate. A separate insurance policy is in place for the former St Johns building and for Volunteers (including officers and members) for personal accident.</p> <p><u>Internal Controls Policy – Insurance Requirements</u></p> <p>The councils' internal controls policy refers to asset management and insurance. Although the policy refers to the minimum requirements of the cover to be in place, we found that there was no cover in place for cyber liability. The council should ensure that appropriate cover is in place and that any internal policies are complied with or updated to reflect any changes (see extract from policy).</p> <div style="border: 1px solid black; padding: 5px;"> <p>equipment. As a minimum requirement, the council's insurance policy will cover:</p> <ul style="list-style-type: none"> i. Public liability ii. Employers liability iii. Personal accident. iv. Fidelity Guarantee: Theft of money including through staff dishonesty v. The protection of the physical assets owned by the Council i.e. loss, damage etc vi. Loss of rental income vii. Legal Liability: Including but not limited to Corporate Manslaughter and Corporate Homicide, Libel and Slander and other legal expenses. viii. Cyber Liability </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center;">RECOMMENDATION</p> <p>RECOMMENDATION 14:</p> <p>That the council considers insurance cover for cyber security in accordance with its internal policy.</p> </div>

		<p>RECOMMENDATION 15: That the council seeks confirmation that the 'Directors & Officers' indemnity cover includes cover for legal liability claims arising from financial loss as a result of a negligent act, error or omissions committed in good faith by an employee/officer of the council.</p>
<p>Internal financial control checks documented and evidenced? <i>*Accounts & Audit Regulations (6)</i></p>	See comments	<p>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. The internal controls policy refers to the appointment of a working party made up of three councillors to undertake the internal control checks. At the meeting held on the 05 June 2023 the council appointed Cllrs Giles and Whitaker to undertake the checks. At the time of the audit, one councillor had completed the checks which were undertaken in August 2023.</p> <p style="text-align: center;">RECOMMENDATION</p> <p>RECOMMENDATION 16: That the review of the effectiveness of the internal control checks be completed within the current financial year and the outcome formally reported to council and recorded in the minutes with any subsequent actions agreed by council.</p>
<p>Are there appropriate GDPR policies in place and are there arrangements in place for back-up data?</p>	Yes	<p><u>GDPR</u> The council have appointed a Data Protection officer using the services of the principal authority via a service level agreement due to a rise in FOI subject access requests. It is understood that all GDPR related policies are being reviewed by the principal authority.</p> <p><u>Back-up Data</u> The council have recently appointed an external IT company and electronic back-ups are frequently taken in addition to a hard-drive back-up.</p>
<p>Is there a password list and business continuity plan? Are the list of signatories up to date and are there measures in place for business continuity purposes?</p>	Yes – see comments	<p>The RFO has informed us that there is a password list that in place for business continuity purposes however there is no specific business continuity plan. The council should ensure that there is a business continuity plan as part of their risk management arrangements. A business continuity plan will assist the council with any business interruption.</p>

		<p style="text-align: center;">RECOMMENDATION</p> <p>RECOMMENDATION 17: That consideration be given to developing a business continuity plan and/or associated policy. Further advice and guidance may be requested from the local county association.</p>
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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.

Internal Audit Testing	Compliance	Findings & Recommendations
Is there an annual budget to support precept? Has the budget been discussed and adopted by council? Is the precept demand correctly recorded in the minutes?	See comments	To be reviewed at year-end audit. At the time of the audit the RFO was undertaking a review of the budgets in conjunction with the Policy and Finance committee. To be tested at the year-end audit.
Is the budget against spend comparisons provided regularly to the Council? I.e., quarterly basis? Any unexpected variances?	Yes	<div>Reviewing the budget against actual expenditure at least quarterly gives members an early warning about the likelihood of a shortfall (or surplus) and helps them to decide what to do. Following scrutiny of the councils’ financial budget monitoring report by council officers, an informal meeting took place to review the expenditure overspends and upcoming financial commitments. Accordingly, appropriate action was taken by council to undertake the budget review and a decision was made by full council at the meeting held on the 11th September 2023, minute reference 71/23. A copy of the report agreed by council was available on the website and copy was provided during the audit.</div> <div><div>RECOMMENDATION</div><div>RECOMMENDATION 18: That the actual amount in figures of earmarked reserves is recorded in the council minutes for transparency and audit purposes.</div></div>

Is the level of reserves within Proper Practice? I.e., between 3- and 12-months running costs. Review earmarked reserves.	Yes	<p>The councils' total balances carried forward to the 01st April 2023 totalled £372,953. From this total:</p> <ul style="list-style-type: none">➤ £30,521.26 contributed towards the 2023/2024 budget➤ £268,616 – Allocated for Earmarked Reserves➤ £73,816 – General Reserves Balance 2023/2024 <p><u>General Reserves</u></p> <p>The Governance & Accountability Practitioners Guide states that the general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure. As reported in our last year internal audit report, the councils general reserve balance of £73,816 was found to be within the recommended guidelines.</p> <p><u>Earmarked Reserves</u></p> <p>Earmarked reserves do not affect the calculation above, however the Governance & Accountability Practitioners Guide states that earmarked reserves must be held for genuine and identifiable purposes and projects, and their level should be subject to regular review and justification (at least annually and at budget setting), and should be separately identified and enumerated.</p> <p>A meeting of the full town council was held on the 11th September 2023 and the council resolved to undertake virements. A virement can be used to clarify the situation of the authority alongside budget variances arising from unforeseen circumstances. It is noted that the council found themselves in a position where some expenditure would exceed their agreed budgets. It appears that a review of the councils earmarked reserves took place and changes were made accordingly to vire some earmarked reserves to the appropriate cost centres to reduce the overall cost centre deficit where the budget codes were allocated. Evidence was reviewed during the audit to verify the amounts agreed by full council resulting in the changes to the earmarked reserves of £24,439. The councils current earmarked reserves at the 02nd October 2023 are inserted below. Additional print outs from the accounting system were reviewed to evidence the journal entries which the RFO actioned with the support assistance from the accountancy software providers 'Rialtas'.</p> <table><tr><th>EM Reserves</th><th>Opening Balance 01.04.2023</th><th>Changes to EMR - Agreed FC 11.09.23</th><th>TFR to Cost Centre</th><th>Exp 23/24</th><th>Revised EM Reserve Balance 30.09.2023</th></tr><tr><td>EMR Building - TH Refurb</td><td>£ 107,500.00</td><td></td><td></td><td>-£ 1,750.00</td><td>£ 105,750.00</td></tr><tr><td>New Equipment- Comp replc</td><td>£ 1,000.00</td><td></td><td></td><td>-£ 1,000.00</td><td>£ -</td></tr></table>	EM Reserves	Opening Balance 01.04.2023	Changes to EMR - Agreed FC 11.09.23	TFR to Cost Centre	Exp 23/24	Revised EM Reserve Balance 30.09.2023	EMR Building - TH Refurb	£ 107,500.00			-£ 1,750.00	£ 105,750.00	New Equipment- Comp replc	£ 1,000.00			-£ 1,000.00	£ -
EM Reserves	Opening Balance 01.04.2023	Changes to EMR - Agreed FC 11.09.23	TFR to Cost Centre	Exp 23/24	Revised EM Reserve Balance 30.09.2023															
EMR Building - TH Refurb	£ 107,500.00			-£ 1,750.00	£ 105,750.00															
New Equipment- Comp replc	£ 1,000.00			-£ 1,000.00	£ -															

Election Costs	£ 24,000.00				£ 24,000.00
Beverley Day Event	£ 10,000.00	-£ 10,000.00	£10,000 - Legal Expenses		£ -
Allotments Ops	£ 2,220.00	-£ 1,970.00	Allotments Upkeep	-£ 250.00	£ -
Staff	£ 7,500.00			-£ 3,679.01	£ 3,820.99
Skatepark	£ 41,419.00			-£ 87.50	£ 41,331.50
Flagpoles	£ 1,500.00	-£ 1,500.00	£1,500 - Audit Fees		£ -
Litter/Grit Bins 2020	£ 935.00			-£ 382.00	£ 553.00
Floral Displays Jan 22	£ 5,000.00				£ 5,000.00
Bev Beck Contract Oct 2021	£ 1,500.00	-£ 1,500.00	£1,500 - Legal Fees		£ -
Grants	£ 10,994.00				£ 10,994.00
Street Furniture	£ 3,998.00	-£ 728.00	£189 – Accommodation £200 - Audit Fees £250 - Cllrs Travel £89.00 - Legal Expenses	-£ 3,270.00	£ -
Cycle Racks	£ 1,000.00				£ 1,000.00
Town Entry Signs	£ 15,000.00	-£ 13,411.00	£13,411 - Legal Expenses		£ 1,589.00
Legal Fees	£ 15,000.00			-£ 15,000.00	£ -
Matched Funding	£ 7,750.00			-£ 3,600.00	£ 4,150.00
*St John of Bev reallocated to Awards Evening	£ 3,000.00	-£ 300.00			£ 2,700.00
Pride Event	£ 300.00				£ 300.00
Infrastructure Christmas	£ 2,000.00				£ 2,000.00

New Christmas Lights	£ 5,000.00	-£ 2,000.00	£2,000 - Audit Fees		£ 3,000.00
*Officer Travel reallocated to Historic Lamps	£ 1,000.00				£ 1,000.00
Youth	£ 1,000.00			-£ 1,000.00	£ -
Totals	£ 268,616.00	-£ 31,409.00		£ 30,018.51	£ 207,188.49

**Two budget lines identified as being re-named and re-allocated for different purposes which had not been approved by the full town council.*

The council previously adopted a General Reserves Policy on the 20th February 2023. It is noted that although the changes to earmarked reserves were agreed by full council, the re-allocation of funds to Historic Lamps and Awards Evenings had not been formally approved by full council.

RECOMMENDATION

RECOMMENDATION 19:

That the re-allocation of earmarked reserves to different projects be approved by council in accordance with the adopted General Reserves Policy.

Income Controls 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.

Internal Audit Testing	Compliance	Findings & Recommendations
Does the precept approved agree to the Council Tax authority's notification and has this been received and banked?	Yes	<p>The precept of £292,693 was agreed at the full council meeting held on the 16th January 2023 (minute reference 121/22 (c). This corresponded to the precept form submitted to the principal authority East Riding of Yorkshire Council and was received in two equal instalments:</p> <ul style="list-style-type: none"> ➤ £146,346.50 – Received April 2023 ➤ £146,346.50 – Received September 2023

Does the council receive any other income in addition to the precept? Is the income properly recorded and banked? <i>*Allotments – Ensure tenancy agreements are signed/exist, register of tenants maintained and debtors monitored.</i>	Yes	<u>Allotments Administration</u> The councils' main source of income relates to the letting of allotments. A total of 256 plots (various sizes) are let out over five sites. The administration continues to be undertaken by the Assistant Clerk & Civic Officer. At the time of the audit, all invoices had been issued and income received and banked (evidence reviewed during the audit). All income is received via bank transfer with limited cash handled directly by council officers. For cash payment a receipt is issued to the customer and copy retained in the receipt book. <u>Other Income</u> The council have set-up lines of income budgets for ongoing projects, these relate to 'Income Civic' and 'Income Cycle Tour'. At the time of the audit no income had been received and banked. It is noted that other ad-hoc income relates to bank interest and none had been received at the time of the audit.
Has the council correctly invoiced for any sales and is the correct rate of VAT applied? (if applicable)	See comments	The council is currently in the process of becoming VAT registered (refer findings above)

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

Internal Audit Testing	Compliance	Findings & Recommendations
Does the Council manage petty cash and is it accounted for properly and included in the AGAR figures? Is all petty cash spent recorded and supported by VAT receipts? <i>*Physically check the petty cash and other float held.</i>	Not Applicable	The council does not operate with a petty cash float and the Financial Regulations have been updated to confirm this (see FR 6.21)

Payroll Controls & Members Allowances

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.

Internal Audit Testing	Compliance	Findings & Recommendations
Is there a contract of employment for the Clerk/RFO and all employed staff? <i>*Ensure that there is a confirmatory letter setting out any changes to the contract.</i>	Yes	There are signed contracts of employment for all three members of staff that were provided during the audit. All the contracts of employment were re-issued on the 01 st April 2023 and replaced all existing contracts of employment which was clearly stated on the front cover.
Does the council manage payroll in-house or is this outsourced? <i>*Ensure that where free or paid software is used that it is up to date.</i>	See Findings	<p>The council's payroll continues to be outsourced to an external payroll provider 'TC Group'. The RFO informed us that the contract is due for renewal however the termination date of the contract could not be found on the contracts list. The current Financial Regulations do not provide any internal controls for outsourcing payroll and controls for responsibility.</p> <div> <p>RECOMMENDATION</p> <p>RECOMMENDATION 20: That the Financial Regulations 'Payment of Salaries' be updated to include internal controls and arrangements for outsourcing payroll to a payroll provider and controls for the Responsible Financial Officer to retain overall responsibility.</p> <p>RECOMMENDATION 21: That the council's payroll provision be reviewed.</p> </div>
Has the Council approved the salaries paid? Do the salary records correspond with the pay points agreed by the Council? Has the correct payment been made to the employee? <i>*Ensure that gross salaries are calculated in accordance with approved NJC scale or rates & contracted hours</i>	Yes	Payroll testing was carried out for the month of September. The gross salaries corresponded to the pay points in the contracts of employment. It is noted that two employees continue to receive the HMRC rate towards a home working allowance. There does not appear to be any internal controls in the Financial Regulation relating to the payment of overtime.

		<p style="text-align: center;">RECOMMENDATION</p> <p>RECOMMENDATION 22: That the Financial Regulations 'Payment of Salaries' be updated to include internal controls that stipulate approval of the payroll, based on timesheets or other information, prior to it being run by the payroll provider and evidence of this approval to be retained by the RFO.</p>
Is the Tax and NI contributions paid within the expected parameters to HMRC?	Yes	These are auto-calculated on the payroll software used by the external payroll provider. Evidence of HMRC payments were reviewed during the audit and payments were found to be made in a timely manner.
<p>Are pension obligations met as part of the auto-enrolment process? Criteria £10k salary p.a. *Check the correct treatment of pension contributions</p>	Yes	<p>All employees are enrolled in the Local Government pension scheme. Employee contributions are based on a fixed percentage and the employers pension contributions are calculated in accordance with the Local Government Pension Scheme requirements which is managed by the East Yorkshire Pension Fund. Evidence of the contribution rate calculations were reviewed during the audit. Financial Regulations 7.1 refers to a 'Pension Policy'. At the time of the audit a copy could not be located on the website but was subsequently provided by the RFO.</p> <p style="text-align: center;">RECOMMENDATION</p> <p>RECOMMENDATION 23: That the council considers uploading a copy of the Pension Policy on the website and that an index of current adopted policies and procedures be incorporated as an appendix to the Standing Orders for tracking and monitoring purposes.</p>
<p>Are allowances paid to members and paid via the payroll and/or other arrangements? *Ensure appropriate procedures are in place & of any deduction for liability * 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</p>	See findings	The council no longer pay its members a monthly allowance. This was resolved by council at the meeting held in January 2023 (minute reference 121/22). The Chairman (Mayor) receives an annual allowance of £1,500 which is processed via payroll. 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. For audit purposes consideration should be given to introducing controls for monitoring the expenditure for audit purposes which can assist the council with setting future budgets and reviewing the level of allowance.

Asset And Investment Registers

Objective: Asset and investments registers were complete and accurate and properly maintained

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

Internal Audit Testing	Compliance	Findings & Recommendations
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This internal control area will be tested at the year-end visit.

Periodic Bank Reconciliations

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.

Internal Audit Testing	Compliance	Findings & Recommendations
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Is there a bank reconciliation for each account?	Yes	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. The accounts were up to date at the time of our audit visit and reconciled with the bank statements.
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Reconciliation carried out on receipt of statement?	Yes	See comments above.
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Are bank reconciliations reported to council and committee? Are these independently signed off by members and recorded in the minutes?	Yes	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. Financial Regulation requires 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's policy and finance committee.
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		<p>A review of the Policy and Finance committee minutes was undertaken. It is noted that although the bank balances are reported to the committee, there is no independent scrutiny of the reconciliation against the original bank statement as required in accordance with Financial Regulation 2.2. This was raised during the 2022/23 interim financial year audit and although there are controls in place for independent scrutiny these are not implemented. 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.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center;">RECOMMENDATION</p> <p>RECOMMENDATION 24: 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.</p> </div>
Any unexpected balancing entries in any reconciliation? Undertake a sample test	Yes	<p>Testing was undertaken for the current account for the period of September and no unexpected entries were identified. The latest bank balances (verified against the original statements) were noted:</p> <ul style="list-style-type: none"> 1) Virgin Money Business Account (Current) - £163,114.27 – 30 October 2023 2) Beverley Building Society Bond - £84,442.07 – statement dated December 2022 (balance remains unchanged) 3) Public Sector Deposit Fund - £256,582.94 – statement dated 30 September 2023
Bank Reconciliation to the 31 March?	See comments	To be tested at the year-end audit visit.

Other Matters

1.1 Internal Audit Action Plan (Progress Update)

- The councils internal audit recommendations action plan arising from the last three financial years continues to be closely monitored and progressed by council and officers with the majority of the recommendations being addressed and completed. The latest update in respect of the monitoring was reported to the Policy and Finance committee and regular updates are reported to full council meeting and recorded in the minutes. A copy of the updated action plan was provided during the audit.
- As the council is now entering a period of expanding its existing services and functions, it should ensure that it continues to operate to a good standard of governance and continues to comply with effective internal controls that will assist in positive internal and external audit reports. It is noted that the council's website continues to be up to date and all council agendas, minutes and supporting documents are available to the public.

1.2 External Audit (Challenge Correspondence)

- The council have received formal objections to the accounts in relation to the 2022/2023 financial year which are currently being reviewed by the external auditors.
- 2018/2019 Audit Fees – The external auditor appears to have unbilled the council costs in the region of £800 + VAT relating to 'challenge correspondence' that had not been previously invoiced. The council should ensure that a review of the external audit fees is undertaken periodically and costs allocated for budgetary purposes.

Recommendations Action Plan (Attached)

Beverley Town Council - Recommendations Action Plan

Interim Internal Audit - Year Ending 31st March 2024

No	Recommendation	Page Number	Responsibility	Timescale
1	That the input detail is carefully reviewed prior to posting the payments in the accounting system and that additional checks are undertaken by the RFO prior to paying the supplier to ensure that any errors on coding are rectified and that the correct payments are made.	7		
2	That the Standing Orders and Financial Regulations relating to the Public Contracts Regulations be reviewed to clarify the amount of '£30,000 (inclusive of VAT)' to ensure consistency with the tender value for formal contracts following the amendment by Government on the 21 December 2022 (SI 2022/1390), see link: https://www.legislation.gov.uk/ukSI/2022/1390/made	8		
3	Where the council is operating with a separate 'Internet Banking Policy', it should ensure that the Financial Regulations are updated to refer to the policy or alternatively, the controls in the policy should be incorporated within the Financial Regulations which would no longer require a separate policy. The controls for online banking payments to be reviewed to ensure that they are clear and reflect the actual practices for the making of online payments.	11		
4	That the list of continuing contracts and leases includes a column to indicate the total contract value and the frequency of payments.	12		
5	That additional internal controls are introduced by the RFO to ensure compliance with Financial Regulation 5.7.	12		
6	That an additional column is inserted in the list of direct debits and standing orders to detail the payment date for payment control purposes.	13		
7	That further consideration be given to the purpose of the 'Approved Suppliers Policy' and the specific assessments and criteria required to become an approved supplier or if such a policy is required. Further guidance should be obtained, if necessary, from the Local County Association.	13		

8	That prior to carrying out the procurement and agreeing the terms of the contract for Handyman/Maintenance services, that the council considers the use of the HMRC Employment Status Indicator to confirm the employment status. This will assist the council with ensuring that the correct contract type is in place.	14		
9	That the council and the RFO ensures that the ordering and procurement of services are carried out in compliance with the Financial Regulations and clearly documented in the council minutes. Where the matter relates to a confidential issue, additional care should be undertaken to ensure that resolutions that are confidential or for some other special reason not in the public interest be still recorded in the minutes without undermining or disclosing the confidential or otherwise sensitive information.	15		
10	That consideration be given to terminating the debit card and replacing this with a credit charge card with appropriate limits and that the Financial Regulations be updated accordingly.	15		
11	That consideration be given to updating the Financial Regulations in relation to the credit charge-card to include procedures for the usage of the card and procedures in the event that the card-holder leaves the organisation.	16		
12	That copies of VAT invoices are retained on file to ensure that appropriate evidence is retained for VAT reclaim purposes.	16		
13	That council officers receive appropriate VAT training following the council's registration of VAT and that the councils accounting software is updated as required to reflect and implement the changes and that appropriate training on VAT reclaims and any year-end partial exemption summaries be considered.	17		
14	That the council considers insurance cover for cyber security in accordance with its internal policy.	19		
15	That the council seeks confirmation that the 'Directors & Officers' indemnity cover includes cover for legal liability claims arising from financial loss as a result of a negligent act, error or omissions committed in good faith by an employee/officer of the council.	20		
16	That the review of the effectiveness of the internal control checks be completed within the current financial year and the outcome formally reported to council and recorded in the minutes with any subsequent actions agreed by council.	20		
17	That consideration be given to developing a business continuity plan and/or associated policy. Further advice and guidance may be requested from the local county association.	21		

18	That the actual amount in figures of earmarked reserves is recorded in the council minutes for transparency and audit purposes.	21		
19	That the re-allocation of earmarked reserves to different projects be approved by council in accordance with the adopted General Reserves Policy.	24		
20	That the Financial Regulations 'Payment of Salaries' be updated to include internal controls and arrangements for outsourcing payroll to a payroll provider and controls for the Responsible Financial Officer to retain overall responsibility.	26		
21	That the council's payroll provision be reviewed.	26		
22	That the Financial Regulations 'Payment of Salaries' be updated to include internal controls that stipulate approval of the payroll, based on timesheets or other information, prior to it being run by the payroll provider and evidence of this approval to be retained by the RFO.	27		
23	That the council considers uploading a copy of the Pension Policy on the website and that an index of current adopted policies and procedures be incorporated as an appendix to the Standing Orders for tracking and monitoring purposes.	27		
24	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.	29		

-----End of Report -----