

Review of financial management

Berwick-upon-Tweed Town Council

Stephen Warren
November 2015

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Berwick-upon-Tweed Town Council

This document has been prepared only for Berwick-upon-Tweed Town Council and solely for the purpose and on the terms agreed with the Council. I accept no liability (including for negligence) to anyone else in connection with this document.

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Executive summary

At the request of the Council I have reviewed aspects of the financial management of the Council. My work has related to:

- expenditure incurred on the grant-funded Berwick Portas Project for which the Town Council served as 'Delivery Organisation'; and
- aspects of the Council's system of internal control.

My work did not identify any expenditure on the Berwick Portas Project incurred other than for the intended purpose. However, I did identify significant weaknesses in the controls in place over the project that exposed the Council to risk. I have made recommendations for improvement, some relating specifically to any future grant-funded project in which the Council is involved and some of more general application.

My work on the Council's system of internal control was broad ranging, looking at both detailed financial procedures and at broader aspects of management of the Council. I identified weaknesses in arrangements that collectively are significant:

- the insufficient focus on internal control;
- the absence of effective procedures for the identification and mitigation of risk;
- weaknesses in design of financial controls and widespread non-compliance with those controls;
- weaknesses in information and communication;
- weaknesses in arrangements for monitoring of implementation of action arising from internal and external audit.

I have made detailed recommendations for improvement in all these areas.

The challenge the Council faces should not be underestimated. Leadership from councilors, a change in culture and robust monitoring of implementation of agreed actions are needed. Only then will the Council be able to fulfill its ambition of being a leader of the community that it serves.

Section 1: Introduction

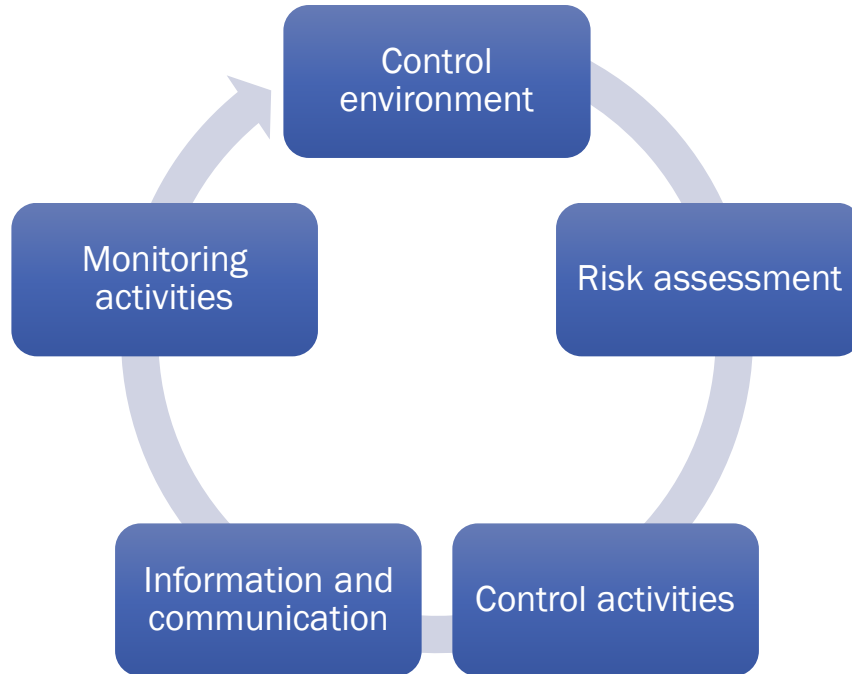
Councils are accountable to the public for the money they raise by taxation. Effective financial management is a necessary but not sufficient condition for demonstrating to the public that the money raised by taxation is safeguarded, appropriately used and properly accounted for.

Following concerns about the financial management of the Council, including the grant-aided Berwick Portas Project for which the Council served as Delivery Organisation from 2014 to 2015, the Council engaged me to review aspects of its financial management. The terms of reference for this review are attached at **Appendix A**.

In this report:

- in **Section 2** I present the results of my specific testing of expenditure on the Berwick Portas Project;
- in **Section 3 to 7** I consider wider aspects of internal control. Internal control is the process designed to provide reasonable assurance about the achievement of the objectives of an organization. I have presented my results against the main headings used in the internationally-accepted *Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (see **Exhibit 1**); and
- in **Section 8** I present my overall conclusions.

Exhibit 1: Effective internal control



Source: *Internal Control – Integrated Framework – Executive Summary*, Committee of Sponsoring Organizations of the Treadway Commission, 2013

Section 2: Berwick Portas Project

Background

The Berwick Portas Project was a scheme grant-funded scheme approved in July 2012 designed to assist rejuvenation of the town. The applicant was the Town Council but funding initially flowed from the Department of Communities and Local Government to Northumberland County Council (which provided match funding and served as Accountable Body) and thence to a Berwick Town Team Limited (as Delivery Organisation). The County Council appointed Arch Commercial Enterprises Limited as Managing Organisation to act on its behalf.

In September 2013, following the resignation of the Chairman of Berwick Town Team Limited, the Council agreed to a request from the County Council to assume the role of Delivery Organisation with Arch having served in this capacity on an interim basis. The County Council removed the Council as Delivery Organisation in July 2015, citing poor progress on delivery.

Scope of work

I undertook detailed testing of records maintained by the Council with the objective of:

- agreeing all payments relating to the project from the Council's bank statement to the Council's accounting system;
- agreeing all payments relating to the project underlying evidence of expenditure, such as invoices;
- agreeing all payments relating to the project to purchase orders issued by the Council for the provision of the good or service;
- agreeing all payments relating to the project to the approval of expenditure for the project; and
- confirming whether the Council had complied with the terms and conditions of the grant awarded to it.

My testing did not extend to records maintained by any other party.

I also reviewed relevant Council documentation and discussed matters with Council officers.

Findings

On the basis of my work I have concluded that:

- payments made through the Council's bank account agree to those recorded in the Council's accounting system;
- there is evidence to support individual payments made;
- in the majority of cases there were purchase orders in place demonstrating prior commitment by the Council to the expenditure in question; and
- there was no evidence that expenditure was other than for the purposes of an approved scheme.

However, I identified weaknesses, some very significant, in the arrangements put in place by the Council (see **Exhibit 2**).

Exhibit 2: Control weaknesses relating to the Berwick Portas Project

	WEAKNESS	IMPLICATION
Invoice approval	Some invoices received did not provide sufficient evidence that they related to approved schemes: the narrative on the invoices was inadequate to provide such evidence and/or the invoice did not quote the purchase order number that would demonstrate the relationship.	Increased risk of inability to demonstrate entitlement to grant
Purchase orders	Purchase orders were not systematically used as a system of control. Where the value of the invoice exceeded that of the purchase order, there was no record of agreement of the higher sum.	Increased risk of paying for good or service not delivered or provided

	WEAKNESS	IMPLICATION
Expenditure approval	<p>It was difficult to establish the exact scope of approved expenditure and therefore to confirm that payments made fell within the scope of the approval. Some schemes were inherited by the Council from the Town Team or Arch but the scope of the approved schemes was not in all cases clearly documented.</p>	<p>Increased risk of inability to demonstrate entitlement to grant</p>
Grant conditions	<p>There was a period during which the Council served as Delivery Organisation without agreed terms and conditions for grant funding in place. The Council resolved to assume the role in September 2013 but it was not until April 2015 that an agreement was signed backdated to July 2014.</p>	<p>Increased risk of inability to demonstrate entitlement to grant</p>
Grant conditions	<p>The grant agreement required the Council to demonstrate value for money e.g. through documented internet cost comparisons for purchases up to £10,000 and obtaining three written quotations for expenditure over £10,000. The Council has not maintained any documentation to demonstrate compliance with this condition.</p>	<p>Increased risk of inability to demonstrate entitlement to grant</p>

	WEAKNESS	IMPLICATION
Expenditure approval	<p>The Council delegated decisions on approving schemes up to £5,000 to a group comprising councilors and non-councilors. This group met in private without public notice of its meetings.</p> <p>The Local Government Act 1972 only allows the Council to delegate a function to committee, sub-committee or officer. The group was not formally constituted as a sub-committee. So either the Council delegated a function to a body to which it had no power to delegate a function or the group to which it delegated a function was a committee of the Council that met in private contrary to the requirements of the Public Bodies (Admission to Meetings) Act 1960.</p>	<p>There is a risk that decisions on the authorisation of expenditure are open to legal challenge.</p>

Recommendations

- R1. Ensure that sufficient evidence is retained to link invoices to specific accounting codes, for example through quotation of a purchase order on the invoice, inclusion of sufficient narrative on the invoice or annotation.
- R2. Establish effective purchase order controls, for example through documentation of reasons for invoices exceeding purchase order values.
- R3. When taking on any future grant-aided scheme, ensure that the terms and conditions of the grant (including the scope of any pre-approved expenditure) are clearly established at the outset.
- R4. When taking on any future grant-aided scheme, ensure that systems are established to comply with, and document compliance with, scheme terms and conditions.

- R5. Ensure that the any delegation of functions by the Council complies with the requirements of the Local Government Act 1972 and, in the case of a Committee or Sub-Committee, that the Committee or Sub-Committee complies with the requirements of the Public Bodies (Admission to Meetings) Act 1960.

Section 3: Control environment

Background

The control environment comprises standards, processes and structures. The board of an organisation or equivalent establishes a 'tone from the top' regarding the importance of internal control. The control environment has a pervasive impact on the overall system of control.

Scope of work

I reviewed aspects of the control environment of the Council through:

- review of minutes and agendas;
- review of other key Council documents; and
- discussion with Council officers.

Findings

I identified significant weaknesses in the Council's control environment:

- **A lack of clearly articulated objectives for the Council that drive its activities.** As a result, there is no clear framework against which to evaluate proposed activities or decide between competing budget priorities.
- **The absence of effective oversight of the system of internal control from the Council.** The Council has adopted Financial Regulations that are not fit for purpose and not taken effective steps to monitor their operation in practice. These are matters to which I return below.
- **Weak accountability for finance.** The Local Government Act 1972 requires the Council to 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. The Council has designated its Clerk as a that officer but has not determined how the Clerk can perform effective oversight of the work of the Finance Officer so that the role has real substance.

- **The absence of an effective system for management of staff.** The Council has not had in place an established system for setting targets for its staff, monitoring their performance against those targets, supporting staff in their development and managing under-performance should it arise. The operation of effective systems in this area extends to the Clerk who, as the senior member of staff, is accountable directly to the Council as a body.
- **Discourtesy to staff.** The Council's Finance Officer has been subject to very public criticism at the Finance and Resources Committee and, as a result, the decision was taken that he no longer attend the Committee's meetings. Councillors have a legitimate interest in the performance of officers and there are established mechanisms, via the Clerk and the Staffing Committee, for raising concerns. The right 'tone from the top' is set if those mechanisms are used rather than public criticism of an officer. And depriving members of the Finance and Resources Committee of the advice and input from a key officer is not a long-term solution.

Recommendations

- R6. Adopt strategic objectives for the Council.
- R7. Establish and document a clear framework for oversight of the system of internal control by the Council.
- R8. Establish and document the respective accountabilities of the Town Clerk and Finance Officer for the financial affairs of the Council, including the means by which the Town Clerk oversees the activities of the Finance Officer.
- R9. Establish a system for performance management of Council staff, including objective-setting, appraisal and development planning.
- R10. Reinforce existing standards for courtesy to Council staff and existing arrangements for Councillors feeding back on the performance of Council staff.

Section 4: Risk assessment

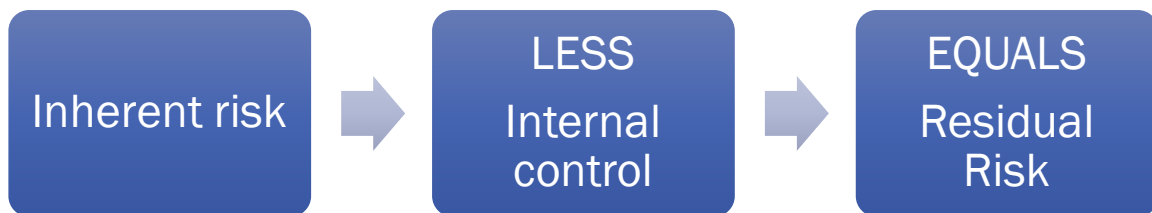
Background

Risk is the possibility that an event will occur and adversely affect the achievement of organisational objectives. Risk assessment involves identifying and analysing the risks as a basis for determining how risks can be managed.

Effective risk management involves:

- identifying potential inherent risks;
- establishing appropriate controls to mitigate those risks; and
- assessing and monitoring the residual risks (see **Exhibit 3**).

Exhibit 3: Risk management



Scope of work

I reviewed aspects of risk management of the Council through:

- review of the Council's risk register;
- review of the Council's insurance documentation;
- review of Council minutes and agendas; and
- discussion with the Council's officers.

Findings

I identified significant weaknesses in the Council's arrangements for risk assessment:

- whilst the Council maintains a risk register, it is prepared by officers and subject to limited and infrequent review by members of the Council. A risk register is a key tool of effective management and should be subject to regular review by the Council and its Committees;
- the risk register is not linked to organisational objectives, limiting its effectiveness as a component of internal control;
- the risk register does not distinguish between inherent, control and residual risks, limiting its effectiveness as a component of internal control;
- there is no routine monitoring of the implementation of identified actions in the risk register, meaning that the Council is unaware of whether they are working as intended;
- the risk register is not updated to reflect developments in the course of the year. Notably, the Portas Project is not reflected in the risk register despite its substantial scale and the accountability to an external party; and
- the Council does not use its risk assessment processes to inform the scope and nature of its insurance coverage. For example, despite its size and asset base the Council maintains very low excesses and individually insures some assets with a value of under £100.

Recommendations

R11. Establish a new system of risk management including:

- a. regular oversight by the Council (including in response to new activities);
- b. linkage of risks to Council objectives;
- c. clear distinction between inherent, control and residual risks; and
- d. routine monitoring of the implementation of identified actions.

R12. Use the revised risk management process to determine the optimal scope and nature of insurance coverage.

Section 5: Control activities

Background

Control activities are the actions established through policies and procedures that help ensure that the agreed actions to mitigate risks and achieve objectives are carried out. Those controls may be preventive or detective, automated or manual and include authorisations, reconciliations and verifications.

In the context of the Council, its Financial Regulations detail key control activities relating to financial control. But control activities also include undocumented controls operated by the Council's officers.

Scope of work

I reviewed aspects of the Council's control activities through:

- review of the Council's Financial Directions;
- review of Council minutes and agendas; and
- discussion with the Council's officers.

Findings – design of Financial Directions

I identified significant weaknesses in the design of Financial Directions that were based on the model Financial Regulations issued by the National Association of Local Councils (see **Exhibit 4**).

Exhibit 4: Financial Directions – weaknesses in design

	WEAKNESS	IMPLICATION
Tailoring	The Council's Financial Directions include many instances where items included in square brackets within the model Financial Directions and requiring tailoring for the Council's circumstances have not been tailored and the square brackets remain. In one instance this results in the wording '[insert reference of the council's s relevant standing order]'	Failure to reflect the Council's circumstances Potential confusion in application
Tailoring	The Council's Financial Regulations are based on a model that assumes that the Council has a single employee and that separation of duties cannot be secured without the direct involvement of members in routine control activities. They do not reflect that the Council has more than one employee allowing such separation of duties. For example, the Financial Regulations provide for preparation of the bank reconciliation by the Clerk and checking by Councilors.	Direct involvement of Councilors in routine control activities
Tailoring	The Council's Financial Regulations do not reflect the procurement of payroll services from Northumberland County Council and are based on the assumption that control activities are performed in-house rather than by a third party. They do not therefore provide for obtaining assurance about the controls operated by the external provider	Failure to make provision for control activities reflecting the Council's circumstances
Referencing	The internal referencing of the Financial Regulations is inaccurate throughout.	Increased risk of non-compliance with Financial Regulations

	WEAKNESS	IMPLICATION
Drafting	The Financial Regulations provide for different approval processes for 'office expenditure' but do not define the term.	Confusion over scope of the exemption
Drafting	There Financial Regulations contain a duty on the Clerk to report a matter to themselves: 'The Clerk/RFO shall give prompt notification to the RFO of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.'	Impossibility of compliance

Findings – operation of Financial Directions

I identified widespread non-compliance with the Financial Directions adopted by the Council. In **Exhibit 5** I have evaluated the extent of compliance with Financial Directions and given examples of non-compliance. Despite the widespread non-compliance with Financial Directions, I have identified no instance where the requirements of Financial Directions have been waived.

Exhibit 5: Compliance with Financial Directions

	MEANING	PERCENT-AGE	EXAMPLES
Red	Substantial non-compliance	37%	<p>No policy statements and risk management arrangements not prepared or reviewed by the Council</p> <p>Bank reconciliation not subject to review</p> <p>Major procurement undertaken without competitive tender process</p> <p>No virements authorised to cover over-spends</p>
Amber	Partial non-compliance and/or inability to provide documentary evidence of compliance	30%	<p>Approval of pay increase by Finance and Resources Committee rather than full Council</p> <p>Cheque counterfoils not initialed by Councilors</p> <p>Internal audit recommendations received by Council but not 'addressed'</p>
Green	Full compliance	33%	

Findings – other controls activities

I have also identified scope for improvement in the undocumented control activities operated by the Council's officers:

- **Investments.** Despite the Council's substantial reserves, there is no investment policy for those reserves and no interest is included as income in the Council's budget.
- **Budget setting.** The budget process commences with a bottom-up Committee-based budget setting without clear budget parameters being set at corporate level. This means that there is no clear process for squaring the circle between policy priorities on precept levels and Committee plans.
- **Contingencies.** The budget setting process does not involve explicit consideration of the need for contingencies to meet unforeseen events.
- **Bank reconciliations.** The bank reconciliation is a key component of a system of internal control. It confirms that the Council's own accounting records agree to the Council's bank statement. The Council's Finance Officer performs the reconciliation on a regular basis. However, the reconciliation is only documented at year end. At any other date in the year review is not possible and the only means of obtaining assurance that the control has been operated is to re-perform it.
- **Journal controls.** 'Journals' are entries in the Council's accounting system to deal with non-routine matters and correct errors. 'Journals' are inherently high risk. Currently the Finance Officer makes these entries and they are subject neither to prior approval nor review by any other person.
- **Payments.**
 - Payments are authorized for payment after review by officers. However, there is no explicit documentation to confirm that the good or service has been received, that it meets the required standard and that the price is in accordance with the agreed terms.
 - There are delays in recording some payments on the accounting system so that the accounting records do not fully reflect the financial position of the Council.
 - There is no routine monitoring of compliance with supplier payment terms and in many instances suppliers are chasing the Council for payment.
- **Income.** Although there is a pro-forma invoice this is not consistently used and sequential invoice numbers are not used. As a result, it is more difficult to demonstrate completeness of income.

Recommendations

- R13. Following a review of identified risks and the Council's risk appetite, adopt revised Financial Regulations, taking into account the extent of non-compliance with the Council's existing Financial Regulations.
- R14. Ensure that revised Financial Regulations are carefully drafted to reflect the circumstances of the Council, include accurate cross-referencing and avoid ambiguity.
- R15. Prepare basic documentation of operational financial procedures.
- R16. Adopt an investments policy.
- R17. Establish a budget-setting process that reflects overall Council priorities and the need to budget for contingencies.
- R18. Ensure that all bank reconciliations are documented.
- R19. Establish and document controls over 'journal entries'.
- R20. Establish procedures over payments to ensure that:
- a. there is documented confirmation of receipt of goods and services of the specified standard;
 - b. all payments are promptly recorded in the accounting system; and
 - c. compliance with supplier payment terms is monitored.
- R21. Establish procedures over income, including consistent use of sequentially-numbered invoices.

Section 6: Information and communication

Background

Information is necessary for the Council to conduct internal control activities. Communication is the continual, iterative process of providing, sharing and obtaining necessary information.

In this context 'information' comprises both financial information and performance information.

Scope of work

I reviewed aspects of the Council's information and communication through:

- review of the Council's budgets and management reporting;
- review of Council minutes and agendas; and
- discussion with the Council's officers.

Findings

The Council's Finance and Resources Committee receives reports of performance against budget and projected performance to year end. However, the utility of this reporting is reduced as:

- the reporting does not reflect commitments i.e. expenditure to which the Council is committed but has not yet incurred; and
- the terminology used is potentially confusing as 'Capital' is used to refer to non-recurrent items funded from the Schedule 3 income received by the Council rather than in its normal sense of expenditure on 'Fixed Assets'.

More fundamentally:

- the effectiveness of the oversight role of the Finance and Resources Committee is reduced as the Finance Officer is not present to provide insight and answer questions; and

- routine reporting of financial performance against budget is not undertaken to other committees despite their responsibilities in these areas.

The Portas Project highlighted an absence of effective monitoring information on non-financial performance. Despite the key priority of pace of delivery, there was no routine reporting of projected timing of delivery of individual projects.

Recommendations

- R22. Reflect commitments in addition to expenditure incurred in budget monitoring reports to the Council.
- R23. Adopt language for budget monitoring reporting that accurately reflects the nature of expenditure incurred.
- R24. Secure the attendance of the Finance Officer at meetings of the Finance and Resources Committee and, when required by the Town Clerk, at meetings of the Council.
- R25. Report financial performance against budget to other committees.

Section 7: Monitoring activities

Background

Evaluation – whether separate or ongoing – is required to ensure that the system of internal control is present and functioning effectively.

A key component of monitoring is the receipt and consideration of reports from the Council's internal and external auditors and subsequent monitoring of the implementation of agreed recommendations.

Scope of work

I reviewed aspects of the Council's monitoring activities through:

- review of reports received from the Council's internal and external auditors over the last three years;
- review of Council minutes and agendas; and
- discussion with the Council's officers.

Findings

I have evaluated the extent of implementation of recommendations made by internal and external audit over the last three years (see **Exhibit 6**).

Exhibit 6: Implementation of internal and external audit recommendations

	MEANING	NUMBER	DETAILS
Red	Non-implementation	1	Further authorization of purchase orders recommended but not implemented
Amber	Partial implementation	4	Risk assessment undertaken but significant weaknesses (see above) Fidelity guarantee cover reviewed but scope for explicit periodic consideration Revised Financial Regulations and Standing Orders adopted but weaknesses in design and operation (see above) Revised number of cheque signatories but still significant delays in time to signature
Green	Full implementation	3	

Perhaps most importantly, there is no Council leadership on:

- agreeing the scope of internal audit activities, including enhanced testing of compliance with its own Financial Directions;
- agreeing the action to be taken in response to recommendations; and
- monitoring the implementation of recommendations.

Councilors therefore have limited confidence that appropriate action is being taken in response to monitoring activities.

Recommendations

- R26. Increase the focus of internal audit testing on compliance with Financial Directions.
- R27. Ensure that the Council agrees proposed actions in response to audit recommendations.
- R28. Regularly monitor progress in the implementation of agreed audit recommendations.

Section 8: Conclusion and next steps

The Council's system of internal control is not fit for purpose. There are weaknesses in all areas reviewed that collectively expose the Council to significant risk. Weak internal control creates the environment in which allegations of impropriety can be made and not easily refuted. And weak internal control does not reflect a problem with 'finance' but with how an organisation works to achieve its objectives.

This reports contains specific recommendations for improvement that are brought together in the action plan at **Appendix B**. Many of these require significant work and effort to implement effectively. It would be all too easy to focus on the more tangible such as specific weaknesses in control activities. Those need to be addressed. But the prerequisite for an effective system of internal control is the control environment and the prerequisite for an effective control environment is commitment from the top of an organisation.

Implementation of the required change needs leadership from councilors, a change in culture and robust monitoring of implementation of agreed actions. Only then will the Council be able to fulfill its ambition to be a leader of the community that it serves.

Recommendations

- R29. Adopt an improvement plan in response to the recommendations contained in this report.
- R30. Designate or establish an appropriate group to monitor implementation of the agreed actions.

Appendix A: Terms of reference

1. Your responsibilities

- 1.1. You are responsible for giving me access to all documentation and explanations relevant to the matters on which you are seeking my support.
- 1.2. You are responsible for all making all decisions in respect of the findings and conclusions reported to you and/or recommendations contained in the report.

2. My responsibilities

- 2.1. I have agreed, at your request, to:
 - 2.1.1. Review expenditure incurred on the Berwick Portas Project from the date of assumption of responsibility by you to date including consideration of the adequacy of documentation to demonstrate compliance with applicable terms and application for intended purposes;
 - 2.1.2. Review recommendations received from the Council's external and internal auditors for the years ended 31 March 2013 and 31 March 2014 and evaluate the extent to which the recommendations have been implemented;
 - 2.1.3. Undertake a high level review of the Council's arrangements for risk management, including arrangements for insurance;
 - 2.1.4. Undertake a high level review of the Council's system of internal financial control including arrangements for budget setting, budget monitoring, reserves policy (including in respect of funds received from the Guild of Freeman of Berwick-upon-Tweed), accounts payable, bank reconciliations and general ledger maintenance;
 - 2.1.5. Prepare a report addressed to the Council reporting my findings, conclusions and recommendations; and
 - 2.1.6. Attend a meeting of the Council to present my report.
- 2.2. My responsibilities do not extend to:

- 2.2.1. The undertaking of an external audit in accordance with International Standards on Auditing (United Kingdom and Ireland), an internal audit in accordance with Governance and Accountability for Local Councils: A Practitioner's Guide or any other form of assurance engagement;
- 2.2.2. Review of documentation not held by the Council;
- 2.2.3. Receipt of explanations from any person who is not a member or officer of the Council; or
- 2.2.4. Concluding on whether criminal offences might have been committed by any person in connection with the subject matter of my engagement.

Appendix B: Action plan

RECOMMENDATION	ACCEPTED/ NOT ACCEPTED	AGREED ACTION	TARGET DATE
<hr/>			
Berwick Portas Project			
<hr/>			
R1. Ensure that sufficient evidence is retained to link invoices to specific accounting codes, for example through quotation of a purchase order on the invoice, inclusion of sufficient narrative on the invoice or annotation.			
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R2. Establish effective purchase order controls, for example through documentation of reasons for invoices exceeding purchase order values.			
<hr/>			
R3. When taking on any future grant-aided scheme, ensure that the terms and conditions of the grant (including the scope of any pre-approved expenditure) are clearly established at the outset.			
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R4. When taking on any future grant-aided scheme, ensure that systems are established to comply with, and document compliance with, scheme terms and conditions.			

RECOMMENDATION	ACCEPTED/ NOT ACCEPTED	AGREED ACTION	TARGET DATE
<p>R5. Ensure that the any delegation of functions by the Council complies with the requirements of the Local Government Act 1972 and, in the case of a Committee or Sub-Committee, that the Committee or Sub-Committee complies with the requirements of the Public Bodies (Admission to Meetings) Act 1960.</p>			
<hr/> <p>Control environment</p> <hr/>			
<p>R6. Adopt strategic objectives for the Council.</p>			
<p>R7. Establish and document a clear framework for oversight of the system of internal control by the Council.</p>			
<p>R8. Establish and document the respective accountabilities of the Town Clerk and Finance Officer for the financial affairs of the Council, including the means by which the Town Clerk oversees the activities of the Finance Officer.</p>			

RECOMMENDATION	ACCEPTED/ NOT ACCEPTED	AGREED ACTION	TARGET DATE
R9. Establish a system for performance management of Council staff, including objective-setting, appraisal and development planning.			
R10. Reinforce existing standards for courtesy to Council staff and existing arrangements for Councillors feeding back on the performance of Council staff.			
Risk assessment			
R11. Establish a new system of risk management including: <ul style="list-style-type: none">a) regular oversight by the Council (including in response to new activities);b) linkage of risks to Council objectives;c) clear distinction between inherent, control and residual risks;d) routine monitoring of the implementation of identified actions.			
R12. Use the revised risk management process to determine the optimal scope and nature of insurance coverage.			

RECOMMENDATION	ACCEPTED/ NOT ACCEPTED	AGREED ACTION	TARGET DATE
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Control activities

R13. Following a review of identified risks and the Council's risk appetite, adopt revised Financial Regulations, taking into account the extent of non-compliance with the Council's existing Financial Regulations.

R14. Ensure that revised Financial Regulations are carefully drafted to reflect the circumstances of the Council, include accurate cross-referencing and avoid ambiguity.

R15. Prepare basic documentation of operational financial procedures.

R16. Adopt an investments policy.

R17. Establish a budget-setting process that reflects overall Council priorities and the need to budget for contingencies.

R18. Ensure that all bank reconciliations are documented.

RECOMMENDATION	ACCEPTED/ NOT ACCEPTED	AGREED ACTION	TARGET DATE
R19. Establish and document controls over 'journal entries'.			
R20. Establish procedures over payments to ensure that: a) there is documented confirmation of receipt of goods and services of the specified standard; b) all payments are promptly recorded in the accounting system; and c) compliance with supplier payment terms is monitored.			
R21. Establish procedures over income, including consistent use of sequentially-numbered invoices.			
Information and communication			
R22. Reflect commitments in addition to expenditure incurred in budget monitoring reports to the Council.			
R23. Adopt language for budget monitoring reporting that accurately reflects the nature of expenditure incurred.			

RECOMMENDATION	ACCEPTED/ NOT ACCEPTED	AGREED ACTION	TARGET DATE
R24. Secure the attendance of the Finance Officer at meetings of the Finance and Resources Committee and, when required by the Town Clerk, at meetings of the Council.			
R25. Report financial performance against budget to other committees.			
Monitoring activities			
R26. Increase the focus of internal audit testing on compliance with Financial Directions.			
R27. Ensure that the Council agrees proposed actions in response to audit recommendations.			
R28. Regularly monitor progress in the implementation of agreed audit recommendations.			
Conclusion			
R29. Adopt an improvement plan in response to the recommendations contained in this report.			

RECOMMENDATION	ACCEPTED/ NOT ACCEPTED	AGREED ACTION	TARGET DATE
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R30. Designate or establish an appropriate group to monitor implementation of the agreed actions.