Press Statement

Internal Audit Yorkshire was appointed as the internal auditor for Morecambe Town Council to provide an internal audit service covering the financial years 2019/20 and 2020/21 for a fixed two year contract term. The internal auditor was independent of the council and it's officers which is part of the criteria that is set out in the Governance and Accountability Practitioners which refers to 'proper practices' for financial management of parish council accounts.

Following the completion of the 2019/20 financial year internal audit; Internal Audit Yorkshire was requested to carry out a comprehensive audit review of Morecambe Town Councils financial and internal control systems for the financial year ending 31st March 2019 which had previously been signed off by the internal auditor and external auditor. The council sought assurance as to the adequacy and effectiveness of the systems in place and the extent to which these complied with the Internal Control Objectives as set out in the Annual Governance and Accountability Return (AGAR). The 2018/2019 audit found significant areas of weaknesses and 49 recommendations were made. The report was issued to the Town Council on the 06 August 2020 followed by a Zoom Presentation delivered to Morecambe Town Councillors on the 19th August 2020.

The payment issues with Morecambe Town Council stemmed from the 2018/2019 audit report when the invoice of £3,463.92 which was payable within 14 days was not received. At this time, the Council had appointed a Locum Clerk Luke Trevaskis following the resignation of the former Clerk Mr Bob Bailey. Several chaser emails were sent to Luke Trevaskis and a letter to the Chairman Cllr Cary Matthews which resulted in the payment being made on the 02 November 2020.

The interim audit for the 2020/21 financial year was carried out on the 09 and 14th April 2021 and the final report issued to the Town Clerk Luke Trevaskis on the 16 April 2021. The letter of engagement which forms the basis of the contract between Internal Audit Yorkshire and Morecambe Town Council makes it clear that the auditor will '*provide the council with a written report of its findings upon completion of the audit'.*

The interim internal audit report findings relating to the 2020/21 financial year were challenged by Luke Trevaskis and explanations were provided in a response document. Despite several emails then being sent to Luke Trevaskis requesting the year end accounting statements, it had come to our attention that Luke Trevaskis had commissioned a second auditor to undertake the audit for the 2020/21 financial year 'JDH Business Solutions'. The Clerk did not have the delegated authority to engage the second internal auditor and withhold the audit report issued by Internal Audit Yorkshire from the town council members. There is evidence on file that when requested by former Councillor Roger Cleet on the 10th May 2021 seeking confirmation of the date when the internal audit report would be issued to members, the response from the Clerk was that *'I'm afraid I cannot* *provide a date at this time. When I can, I shall report to the full council. The Council has until 30 June to approve the AGAR, so rest assured nothing is late'.* The Clerk Luke Trevaskis at this time was in full knowledge of the facts and in possession of the audit report issued on the 16 April 2021.

Internal Audit Yorkshire was contacted by Morecambe Town Councillor on the 26 May 2021 (this councillor has since passed away). An email was sent from the Morecambe Councillor with an attachment of a strictly confidential document and the subject line stating 'Help'. From the attached document it had come to our attention that a second internal auditor had been engaged and had completed a report which was presented alongside the audit report issued by Internal Audit Yorkshire on the 16 April 2021.

It had become evident that the Clerk had no intent on providing the year end accounting statements. A final invoice was then issued to the Town Council for payment. The outstanding audit fees totalling £750.00.

Attempts were made by Morecambe Town Council to pay £375.00 subject to a non-disclosure agreement. This was refused and the full contractual payment of £750.00 was requested with the council being put on notice that failure to pay will result in a breach of contract claim at a small claims court.

On the 21st July 2021 an email was received from Luke Trevaskis stating that '*Morecambe Town Council has resolved to instruct solicitors regarding this matter. You will hear from the Council in due course'.*

Contact was made with the external auditors PKF Little Johns who confirmed in an email dated 19 April 2022 that:

- *'Although there was not a specific resolution to appoint JDH at the May or June meetings when the members of the Council received all the supporting papers in relation to both yours and the JDH internal audits, we felt that the papers and the published minutes clearly explained the actions taken and the reasons for those actions. In any case, as we're sure you are aware, Assertion 6 is a backward looking assertion referring to appointments made during the financial year. Thus Assertion 6 of the 2021/22 AGAR would refer to the events of April – June 2021. We have previously spoken to the clerk about ensuring that the appointment of JDH in relation to the 2020/21 year is retrospectively approved; we will remind him of this fact in case this has yet to happen'.*

For several months, despite chaser emails being sent to the Clerk for payment, these appeared to be ignored.

On the 11th July 2022 the claim was issued to the small claims court and following extensions granted to Morecambe Town Council via Weightmans solicitors, a defence and counterclaim was then filed that had been drafted by Alex Pritchard-Jones of No 5 Chambers dated 26 September 2022. Morecambe Town Council had claimed that Internal Audit Yorkshire had done a negligent job when providing an internal audit service to the council and therefore the claimant was not entitled to the payment for a badly-provided service; and that the council had suffered loss and damage. Morecambe Town Councils counterclaim related to:

- £840.00 plus VAT £168.00 = £1,008.00 which was paid on 11 August 2021 – relating to the payment of another auditor JDH Business Solutions plus interest at 8% per annum from 31 March 2022.
- £1,952.50 plus VAT: £2,343.00 which was paid on 31 March 2022 – for additional external audit work invoiced by PKF Little Johns plus interest at 8% per annum.

The defence to the counterclaim was submitted in November 2022. The directions questionnaire and orders were sent in December notifying the parties of the court date of 04 April 2023 to be held at Skipton County Court, Yorkshire.

Final attempts were made with Morecambe Town Council in January 2023 requesting for a swift resolution to this matter which again led to no response and at which point the court fee was then paid.

An evidence bundle comprising of 312 pages and witness statements by Internal Audit Yorkshire and former member of Morecambe Town Council Cllr Roger Cleet were served to Morecambe Town Council and the courts on the 20 March 2023 in accordance with the court orders. Morecambe Town Council failed to comply with this court order and no documents or witness statements were received.

On the 28th February 2023 contact was made by Morecambe Town Council '*offering payment of £375.00 as full and final settlement discharging any additional balance claimed'.*

A further letter was sent on the 28th March 2023 stating that:

- *The Council would either request you to agree to us seeking an adjournment. Or, given the circumstances, and as a gesture of goodwill, we would like to offer an out of court settlement of £1,538.18 in full and final satisfaction of your claim, if you agree by 4pm on 24.3.23 to withdraw your application. Should a settlement be reached, the Council agrees to withdraw its counterclaim. If we do not hear from you by 4pm on 24.3.23, we will make the assumption that you do not consent to settle, or to an adjournment, and the Council will be filing a N244 application notice to seek an adjournment.*

At the hearing held on the 04 April 2023, the Judge facilitated an order by consent. The award of £1,538.18 was ordered for payment to Internal Audit Yorkshire payable within 21 days and the counterclaim by Morecambe Town Council was withdrawn. The Judge clarified that Morecambe Town Council could not bring any claims against Internal Audit Yorkshire to be tried in any court and that failure to pay could result in bailiffs being sent as the judgement is legally enforceable. The Judge confirmed that all the court papers were public documents and copies could be requested on application to the courts.

END OF PRESS RELEASE – ISSUED 06 APRIL 2023