

LIGHTATOUGH

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02 December 2023

The Town Clerk

New Alresford Town Council

Alresford Recreation Centre,

The Avenue,

New Alresford

Hants

SO24 9EP

Dear Richard

Interim Internal Audit Report

New Alresford Town Council – April 2023 to October 2023

The Accounts and Audit (England) Regulations 2015 (as amended) require all Town and Parish Councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

We confirm that we are independent of the Council.

The internal audit work we have carried out has been planned to enable us to give our opinion on the control objectives set out in the Annual Internal Auditor's Report on the 2023-24 Annual Governance and Accountability Return.

We have complied with the legal requirements and proper practices set out in:

- 'Governance and Accountability for Local Councils – A Practitioners' Guide (England)' 2023
- The Accounts and Audit (England) Regulations 2015 (as amended).



Background

New Alresford Town Council has income and expenditure of between £300,000 and £400,000 and is subject to review by the External Auditor, BDO. The Town Council received notification on 27 September 2023 from the External Audit which states:


"We are unable to complete our review work on the AGAR and supporting documentation as a result of correspondence received in relation to 2022/23. Once we have finalised our review and completed any additional work arising from that correspondence, a final report will be provided with the certificate of completion detailing any qualifications and 'other' matters".

The Council is a sole managing trustee.

It is good practice for the Council to comply with the Transparency Code Regulation 2015.

The Council's accounting records are maintained on RBS Omega Software.

Since the last internal audit visit the Town Council have appointed a new Town Clerk in June 2023. Since the commencement of his employment, the Town Clerk has recognised the need to review and enhance the internal controls systems for the Town Council in the following areas:

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- A review of the governance arrangements for the Town Council including the need to check that the current committee structure is fit for purpose to retain focus on the core issues facing the Town Council.
 - The need to review Financial Regulations and Standing Orders so they complement the processes and procedures that are used by the Town Council. **(Audit Note: We have noted that the following enhancements to control framework should be introduced to align with details recorded in Financial Regulations 5.1 to 5.6).**
 - A need for the Town Council website to be updated to provide information that is accurate and informative to stakeholders and the community.
 - The need to review and ensure that all staff Contracts of Employment are aligned with NJC conditions. They should provide clarity of the role to identify all areas of the employment requirements. Further links to be made where performance management provides a clear route for salary progression.
 - To review the Reserves position of the Town Council and ensure that projects can be fully funded so not to put pressure on the Budget or future Precept requirements.
 - Training for Councillors, to ensure the Good Councillors Guide information is understood by all existing and new Councillors so the effectiveness and efficiency of the Council can be enhanced.



Further challenges face the Town Council, but these will be pursued by the Town Clerk to continue the good work that has already been started. ***(Audit Note: it is our opinion that unconditional support should be given to the Town Clerk to pursue these challenges where the Town Council provide a framework that gives the necessary resources to ensure that compliance requirements of the Accounts and Audit Regulations 2015 and the Practitioners Guide are maintained).***

We have discussed these challenges with the Town Clerk and have made recommendations in this report to ensure that robust internal control systems are established.

The Deputy Town Clerk provided back-up information from RBS Omega Software in advance of the visit for the period April 2023 to October 2023 to support the current governance and financial management position of the Council.

This visit continues to check the internal control systems from the internal audit work done in 2022/2023 and focusses on checking and validating internal control systems in use at the Town Council including transactional elements of the financial accounts.

Further confirmation has been obtained of good practice and compliance with the Transparency Code Regulation 2015 from the Council's website.

We recognise that the Council will need to maintain sufficient Reserves to sustain its current level of service. ***(Audit Note Our opinion is that the increase in inflation, energy costs and other financial pressures such as the potential increase in negotiated salary awards, will need to be factored into the Budget for 2024/2025).***

Internal audit checks

We have undertaken a series of audit tests on the Council's financial records, vouchers, documents, Minutes, policies, procedures and insurance documentation to ascertain the efficiency and effectiveness of the Town Council's internal control framework. This internal audit report is based on the audit testing carried out at the visit.

During this visit we test checked the following:

- Minutes of Council Meetings
- Policies and procedures
- Bank and cash
- Investments
- Petty Cash
- Income and Expenditure
- VAT claims
- Insurance
- Budgets and Reserves
- Payroll and Contracts of Employment
- Transparency of the Council website.

Findings

Details of good practice noted, our recommendations and other matters to be brought to the Council's attention are set out below.

Good practice

- The Council maintains its financial management records on RBS Omega Software
- The Council staff are aware of the requirements of GDPR.
- The Council is registered with the ICO.
- Petty Cash is controlled appropriately. Signed vouchers are held in the petty cash tin.
- Details of total payments authorised at meetings are recorded in the Minutes.
- All records were up to date and easy to follow.
- Income records held by the Deputy Clerk are appropriate and recorded correctly.
- Insurance is appropriate for the size of the Town Council
- All expenditure items could be traced and are recorded correctly in the financial ledger.
- Bank reconciliations are carried out promptly each month and were accurate.
- The Council takes an active scrutiny role.
- VAT claims are made regularly.
- The Council is compliant with the requirements of the Transparency Code Regulation 2015

Recommendations

Governance Arrangements

- Governance arrangements for the Town Council, including the need to ensure the committee structure is fit for purpose, should be reviewed.

Financial Regulation and Standing Orders

- Financial Regulations and Standing Orders should be reviewed, and amendments made to ensure that they are up to date and fit for purpose. The NALC model Financial Regulation templates 2019 and 2022 should support the review and any changes made.

Contracts of Employment

- The Contract of Employment for the Administrator should be produced and signed by both the employee and the Town Council to formalise the employment arrangements as soon as possible.
- Contracts of Employment should be aligned with NJC conditions of service to include clarity of the role and document all areas of the employment requirements.
- Performance management should provide a clear route for salary progression.

Payroll

- Payroll output received from the Payroll Provider should be checked and signed off by the Town Clerk before BACS payments are made to the bank.

- Further checks should be undertaken by the Deputy Town Clerk to ensure the correct sums paid to staff members have been recorded on the Town Council Current Account bank statement.

Councillor Training

- Councillor Training should become an integral part of the introduction for new Councillors as well as receiving the Good Councillors Guide information. Existing Councillors should refresh their understanding and knowledge by attending training when required to ensure the effectiveness and efficiency of the Town Council.

Other matters to be brought to the Council's attention

- We note that the risk assessment for 2023/2024 will need to be approved by full Council by 31 March 2024. Once completed we will be satisfied that the Council can tick "Yes" to Assertion 5 on Section 1 (Governance Statement) of the AGAR 2023/2024 to comply with the requirements for the External Auditor. We will then tick "Yes" to Control Objective C on the Annual Internal Audit Report 2023/2024. Once approved the risk assessment should be uploaded on to the Council website for information.
- The Deputy Town Clerk will be updating the Asset Register to record new purchases and disposals for 2023/2024 and represented and approved by the Council before the 31 March 2024. Once this is completed the Council can tick "Yes" to Assertion 6 on the Annual Governance Statement on the AGAR 2023/2024. We will be able to tick "Yes" to Control Objective H on the Annual Internal Audit Report 2023/2024.
- We continue to report that consideration should be reintroduced on a quarterly/half year sample validity check on the payment process by Councillors. This would enhance the Councillor scrutiny role whereby a "walk through test" can be carried out starting from the approval to spend money from the budget to the receipt of the goods or services and the controls to record and approve the payment of the invoice. Finally, confirming that payment details have been correctly debited from the Council bank account. *(Audit Note: This can become an integral part of the Financial Operating Procedures and Internal Controls adopted by the Town Council).*
- We have observed that the Council continue to have large, fixed assets totals for 2023/2024 of over £2m. For its size the Councils' Income generation is low. *(Audit Note: It is our opinion that the Council should ensure its income generation can sustain the financial security of the Council).*

Conclusion

Based on the tests we have carried out at this interim internal audit review the internal control procedures are adequate to meet the needs of New Alresford Town Council except where we have made recommendations in this report.

Next visit

The next internal audit visit has been arranged for **Thursday 23 May 2024**.

At this visit detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash
- Investments
- Income and Expenditure
- Contracts of Employment
- VAT claims
- Asset Register
- Budgets 2024/2025
- End of Year Procedures

Next Steps

This report should be noted and taken to the next meeting of the Town Council.

The Council should decide what action will be taken on the recommendations we have made.

Tim Light FMAAT
Internal auditor