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06 December 2021

The Town Clerk

New Alresford Town Council

Alresford Recreation Centre,

The Avenue,

New Alresford

Hants

SO24 9EP

Dear Marcia

First Interim Internal Audit Report

New Alresford Town Council – April 2021 to November 2021

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 2021-22 Annual Governance and Accounts Return.

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

- 'Governance and Accountability for Local Councils – A Practitioners' Guide (England)' 2021
- The Accounts and Audit (England) Regulations 2015 (as amended).

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 Parish 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
- 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
- The Insurance cover is appropriate for the size of the Council
- Income records held by the Deputy Clerk are appropriate and recorded correctly.
- All expenditure items could be traced and are recorded correctly in the financial ledger
- Payroll information is calculated correctly, showing appropriate deductions for PAYE, National Insurance and Pension Contributions
- 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
- The Website Accessibility Statement is displayed on the Council's website.

Recommendations

Financial Regulation and Standing Orders

- Financial Regulations should be amended as the sums recorded for obtaining Tenders for Contracts does not agree to those recorded in Standing Orders. The threshold amount of £25,000 recorded in Standing Orders is correct in line with the Tender requirements for Contracts as per the Public Contract Regulation 2015. The sum recorded in Financial Regulations is currently shown as £75,000.

Insurance

- The current level of Fidelity Guarantee insurance level is felt to be insufficient for the Council. The Council should consider raising the fidelity guarantee level to £500,000 to cover the increase in cash reserves since 2020/2021.

Other matters to be brought to the Council's attention

- We are pleased to note that the recommendations made in the previous internal audit report that:
 - the Deputy Clerk should sign and date the bank reconciliation sheet produced from the RBS Omega software to agree that the details are accurate and confirmed to bank statements. It should then be passed to the Town Clerk to initial as confirmation that the bank reconciliation is accurate.
 - The Town Clerk agrees the list of invoices shown on the Purchase Day Book ready for sending to two Councillors to approve the invoices for payment
 - Details of income received is cross-referenced on to RBS Omega Sales Ledger to ensure that it records the date of payment and that the sales invoice has been cleared.
 - The outstanding debts listing from the RBS Omega software is printed off, signed and dated to each month to confirm the outstanding sales invoices that have not been paid. Further follow up should be taken where appropriate to ensure payment is received.have all been implemented.
- It should be noted that the External Auditor has highlighted in 2020/2021 that any authority which receives income in respect of an insurance claim against expenditure during the year should not account for it as a receipt but should be netting it off against the relevant expense. Whilst the Practitioners' Guide is silent on the matter, the External Auditor's view is that the true cost to the authority should be shown on a net basis. Accounting on a gross basis inflates the gross income and gross expenditure of the authority and can push the authority into a higher fee band than it would otherwise be in.
- The Council have provided evidence of the posting date for the Exercise of Public Rights in 2021 and will be able to tick "Yes" to Assertion 4 on Section 1 (Governance Statement) of the AGAR 2021/2022 to comply with the requirements of the Accounts and Audit

Regulations 2015. We will also be able to tick “Yes” to Control Objective M on the Annual Internal Audit Report 2021/2022.

- We note that the Financial Risk Assessment 2021/2022 will be approved by full Council in January 2022. We are satisfied that the Council can tick “Yes” to Assertion 5 on Section 1 (Governance Statement) of the AGAR 2021/2022 to comply with the requirements for the External Auditor. We will also tick “Yes” to Control Objective C on the Annual Internal Audit Report 2021/2022. The 2021/2022 risk assessment should now be uploaded on to the Council website for information.
- The Council have reviewed and approved the Asset Register at the meeting of full Council on 06 May 2021. We are satisfied that the Council can tick “Yes” to Assertion 6 on the Annual Governance Statement on the AGAR 2021/2022. We will be able to tick “Yes” to Control Objective H on the Annual Internal Audit Report 2021/2022.
- We continue to report that consideration should be given to introduce 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).*

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 Alresford Town Council except where we have made recommendations in this report.

Next visit

The next internal audit visit has been arranged for **Thursday 16 June 2022**.

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 2022/2023
- End of Year Procedures

Next Steps

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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

LIGHTATOUCH

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16 June, 2022

The Town Clerk

New Alresford Town Council

Alresford Recreation Centre,

The Avenue,

New Alresford

Hants

SO24 9EP

Dear Marcia

**Final Internal Audit Review:
New Alresford Town Council – covering November 2021 to March 2022 and Year End
procedures**

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 2021-22 Annual Governance and Accountability Return (AGAR).

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

- 'Accountability and Governance for Smaller Authorities – A Practitioners' Guide (England)' 2021
- The Accounts and Audit (England) Regulations 2015 (as amended).

This is the final audit in 2021/2022 to check that the Council adheres to the requirements set out in the Accountability and Governance for Smaller Authorities in England ensuring that compliance with proper practices is maintained.

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

A final visit was carried out to complete and finalise the End of Year Internal Audit 2021/2022 on Thursday 16 June 2022.

The Town Clerk and Deputy Town Clerk have also provided back-up information for the period November 2021 to March 2022 and End of Year details to support the current governance and financial management position of the Council.

As we have carried out an Interim Internal Audit review in 2021/2022, we are also using the information already recorded from these to support the completion of the internal control objectives on the (AGAR) Annual Internal Audit Report.

Where this is necessary, we will complete the AGAR Internal Audit Report on evidence already seen from the previous review. This is acceptable practice for the External Auditor.

As part of this final Internal Audit Review, we checked:

Bank Reconciliations including Petty Cash and PWLB Loan

- the Bank Reconciliation at 31 March 2022 was re-performed and no errors were noted.

Income and Expenditure

- all income and expenditure items as at 31 March 2022 were confirmed and details are accurate to the records held by Council.

VAT Reimbursement

- the Deputy Town Clerk has submitted a VAT claim to HMRC for the period January 2022 – March 2022 in the sum of £6667.48. This was received on 25 May 2022.

Risk Assessment 2021/2022

- the risks of the Town Council were reviewed and approved on 25 January 2022 to ensure that the requirements of the Governance and Accountability for Smaller Authorities in England (March 2021) is met.

Town Council Minutes

- Minutes of the Council were checked on the website for approvals and decisions made and approval of payments was checked for November 2021 to March 2022.

Asset Register

- The Asset Register at 31 March 2022 was reviewed and additions for 2021/22 were agreed.

End of Year Procedures 2021/2022

A full check was carried out on the End of Year documentation provided by the Town Clerk and Deputy Town Clerk to confirm the accuracy of the details to be submitted to the External Auditor. This also included the validation of any variances of totals over 15% between 2019/20 and 2020/2021 shown on Section 2 of the AGAR as required by the External Auditor.

The 2021/2022 AGAR Internal Audit Report requires the Internal Auditor to check the Council has correctly provided the proper opportunity for the Exercise of Public Rights in accordance with the requirements of the Accounts and Audit Regulations during 2020/2021.

This includes the Internal Auditor being shown evidence that the posting of the Notice on the website was done at least one clear day before the 30-working day period begins.

(Audit Note; We are pleased to report that the Parish Council have displayed the Notice correctly to comply with the requirements of the Accounts and Audit Regulations 2015).

The Annual Internal Audit Report to be submitted to the External Auditor was completed and signed by Tim Light.

We are pleased to report that the various records and procedures in place for the Council provide an appropriate standard of control.

This report should be noted and taken to the next meeting of the Council to inform them of the Internal Audit work carried out. The details of this Internal Audit Letter Report should also be Minuted by the Council.

Yours sincerely,
Tim Light FMAAT
Internal Auditor.