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**12 December 2022**

**The Locum Town Clerk**

**New Alresford Town Council**

**Alresford Recreation Centre,**

**The Avenue,**

**New Alresford**

**Hants**

**SO24 9EP**

Dear Tracy

**Interim Internal Audit Report**

**New Alresford Town Council – April 2022 to November 2022**

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 2022-23 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)' 2022
- The Accounts and Audit (England) Regulations 2015 (as amended).



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 2023/2024.

The Society of Local Council Clerks, National Finance and VAT Adviser has written in the Clerk Magazine in November 2022 to advise Clerks they should prepare budgets for 2023/2024 that respond to these pressures by:

- recognising the increases that will be applied by contractors and suppliers to their prices for goods and services.
- making provision for large inflationary salary awards in 2023/2024 negotiated by the National Joint Council with the Unions.
- adding inflationary increases for Utility Costs for 2023/2024.
- negotiating with Utility Suppliers good rates for new contracts before the old contract period expires.

We have observed that the Council continue to have large, fixed assets totals for 2022/2023 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 for the Council).*

A test check was also carried out on the Contract of Employment held for the Deputy Town Clerk. We noted that the original Contract of Employment indicates that the salary scale used to appoint the Deputy Town Clerk in 2019 Points 24-28 within the LC2 scale. On checking these details to the payroll information no progression has been given since 2020 and she remains on scale point 25 within the LC2 scale.

It is our opinion that consideration should be given to allow the Deputy Town Clerk to progress from her current scale point LC2 point 25 in line within the term of her Contract of Employment to a maximum of LC2 point 28. This progression to higher points on this scale should be confirmed through performance management appraisal from 2022/2023.

A further check on other existing staff at the Town Council found that no performance management reviews in 2022/2023 have been carried out to assess performance and to agree if further progression should be made on their salary scale points as per their Contracts of Employment.

#### **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.
- 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

### **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.

## Contracts of Employment

- We recommend that the Council should undertake a review of all Contracts of Employment to ensure that where appropriate further progression to higher points on this salary scale can be confirmed through performance management appraisals in 2022/2023.

## Other matters to be brought to the Council's attention

- The current financial crisis will impact on the Town Council to ensure that the budget setting for 2023/2024 considers the potential for higher salary costs which may be agreed as part of the national pay negotiation with Unions. We are pleased to report that the Locum Town Clerk identified these and should consider substantial inflationary increases for salary and utility costs when putting together the draft budget plan for 2023/2024. (*Audit Note: As is our advice across all of our clients we recommend the Town Council should consider inflationary percentage increases for these cost centres in the overall draft budget for 2023/2024 that will be required*).
- We discussed the latest financial position in respect of Reserves for the Town Council. It is felt that the total Earmarked Reserves should be reviewed as part of budget setting for 2023//2024 and that action should be taken to decide if Earmarked Reserves for future planned projects are still required.
- We also suggest that the Council should air caution in its approach to providing applications for grant funding to organisations so as not to put the budget under strain for 2023/2024.
- The Council have provided evidence of the posting date for the Exercise of Public Rights in 2022 and will be able to tick "Yes" to Assertion 4 on Section 1 (Governance Statement) of the AGAR 2022/2023 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 2022/2023.
- We note that the risk assessment for 2022/2023 will need to be approved by full Council by 31 March 2023. Once completed we will be satisfied that the Council can tick "Yes" to Assertion 5 on Section 1 (Governance Statement) of the AGAR 2022/2023 to comply with the requirements for the External Auditor. We will then tick "Yes" to Control Objective C on the Annual Internal Audit Report 2022/2023. The 2022/2023 risk assessment should now 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 2022/2023 and represented and approved by the Council before the 31 March 2023. Once this is completed the Council can tick "Yes" to Assertion 6 on the Annual Governance Statement on the AGAR 2022/2023. We will be able to tick "Yes" to Control Objective H on the Annual Internal Audit Report 2022/2023.
- 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 15 June 2023**.

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 2023/2024
- 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