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07 October 2022

The Town Clerk

Ryde Town Council

Town Hall Chambers

10 Lind Street

Ryde

PO33 2 NQ

Dear Lisa

Interim Internal Audit Report

Ryde Town Council – April 2022 to September 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 2022-2023 Annual Governance and Accountability Return (AGAR).

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).

We discussed with the RFO and Deputy Town Clerk the proposals for a further review of the Council website. We noted that draft Minutes posted to the website were shown as Agenda items for the following meeting, but they did not appear in the folder for the actual meeting date.

We confirmed with the Deputy Town Clerk that these should be uploaded and posted to the original meeting date within the 28 days' timeline set for publishing draft Minutes.

We further discussed with the RFO the need to review, amend and update Financial Regulations to ensure they remain fit for purpose for the Town Council.

The review should check that:

- appropriate levels of delegated authority are set
- £500 limit shown for listing payments on the website remains an appropriate level
- Whether FR 5.2 should be amended to remove "Chair of the Place and Neighbourhood Committee.

Other areas which the RFO has also agreed to review include:

- Risk assessment information to ensure it is up to date
- A review of the Contract database information shown on the website to ensure it is up to date
- A review of the Assets Register details to confirm that items accurately recorded and to ensure all purchases of value over £500 listed on the Register.
- Signing the bank line report to agree that the totals match to the schedule approved for payment.

We have noted the terms of reference that are in place for the Grants Sub Committee and confirm these are fit for purpose to discharge their responsibilities once a grant application is received by the Council.

However, we feel that the Council should complement their work by producing a Grants Policy that sets out clearly the criteria for applicants as to the application requirements and documentation needed to validate the application before the Sub Committee make their decisions on each application.

We continue to recommend that the Council should introduce a formal Reserves and Investment strategy. We recorded in our previous report that as the Council have bought recent properties and assets which will need future maintenance and these have not been budgeted for as part of the five-to-ten-year business plan. Our opinion remains that the Council should be cautious in its approach and should take action to ensure it can sustain future expenditure where projects or commitments require sufficient funding going forward.

We continue to remind the Council that it should hold sufficient General Reserves. The Council should hold levels that are up to 3 months' worth of expenditure as set out in the Practitioners Guide 2022. This should form part of the Reserves and Investment policy which should be introduced in 2022/2023.

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 review.

During this review we test checked the following:

- Minutes of Council Meetings
- Policies and procedures
- Bank and cash
- Investments
- 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 books and records on SAGE 50 Accounting Software
- The Clerk is aware of the requirements of GDPR
- The Council is registered with the ICO
- Details of total payments authorised at meetings are recorded in the Minutes
- All records were up to date and easy to follow.
- Income recorded could be traced to the bank account.
- The Reserves position is appropriate for the size of the Council
- The Insurance cover is appropriate for the size of the Council
- All income records are appropriate and recorded correctly.
- All expenditure items could be traced in the financial ledger
- The budgeting process is detailed and monitored
- VAT claims are made to HMRC

Recommendations

We recommend that:

Council Website

- We continue to recommend that functionality of the website should be improved to ensure that information held can be easily retrieved and meets the requirements of the Transparency Code Regulation 2015.
- The Minutes of meetings should be posted to the approach meeting folder to confirm the details recorded at the meeting.

Reserves and Investment Policy

- We continue to recommend a Reserves and Investment Policy should be introduced to ensure the financial security of the Town Council.

Scheme of Delegation

- We continue to recommend that consideration should be given to review the current scheme of delegation limit of £25,000 for the Town Clerk/RFO as it is considered that the limit is too high without further approvals from Councillor involvement to approve supplier and contractor invoices.

Purchase Orders

- We recommend that a limit is set for which purchase orders should be produced to ensure that sundry items do not require a purchase order to be raised.

Councillor Security Checks

- We continue to recommend 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.

Payroll Output

- All payroll output should be signed to record it has been checked and agreed before approval is given to release salary payments to the bank.

Other matters to be brought to the Council's attention

- The current Energy crisis will require the Town Council to review its utility costs for 2023/2024 as, although its current contract is fixed to 2024, it will need careful consideration to monitor its current usage for utilities. It would also be prudent to check if the Council will need to find additional expenditure to cover other costs during the period October 2022 to March 2023.

- It should also consider the percentage increases that may be required when setting the budget for 2023/2024.

A recent item in the NALC Chief Executives Bulletin has highlighted the following:

Energy Bill Relief Scheme

Following the new prime minister's recent pledge to act on energy bills, the government announced its **Energy Bill Relief Scheme** this week. This is an important issue we have been raising with the government, which is why I am pleased to say that we've been advised the scheme covers councils, including local (parish and town) councils. The scheme is a six-month energy price guarantee which should help mitigate some of the extra pressures councils at all levels face this year because of spiralling energy costs. We will continue to ensure the government understands the ongoing cost pressures on local councils, particularly related to the cost-of-living crisis. I am keen to continue to gather examples of what you are doing to help and support your communities, as well as the financial challenges you face – please let us know at policycomms@nalc.gov.uk, as well as to your county association

- The RFO should discuss with its Utilities Suppliers the current contract arrangements held and check whether the Council are eligible to claim discounts as part of the Energy Bill Relief Scheme set out by the Government.
- We note that the financial risk assessment for 2022/2023 has been approved by full Council on the 07 May 2022. We are 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 tick “Yes” to Control Objective C on the Annual Internal Audit Report 2022/2023.
- We test checked a sample of Contracts of Employment and found that a small number of Contracts were not signed by both the employee and the employer. We discussed this with the Town Clerk who agreed to remedy this to ensure the terms of each contract had been agreed and signed by both parties.

Audit Opinion

We have continued to make recommendations in this report to enhance and strengthen the internal controls that exist. However, we are pleased to report that the improvements made since the previous internal audit review provide assurance that the internal control framework is adequate except where recommendations have been made in this report.

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