

LIGHTATOUGH

7 Hodder Close, Chandlers Ford, Hants, SO53 4QD.
Tel: 07762 780605 Email: Tim.Light1@hotmail.co.uk

20 October 2023

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 2023 to September 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 2023-2024 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)' 2023
- The Accounts and Audit (England) Regulations 2015 (as amended).

•
•
•
•
•
•
•

Background

Ryde Town Council had income and expenditure of between £1,500,000 and £2,000,000 in 2022/2023 and was subject to review by the External Auditor, BDO. The Accountability and Governance Annual Return (AGAR) was submitted to the External Auditor 2022/2023 after approval of the AGAR on the 26 June 2023.

The conclusion of audit notice and certificate for 2022/2023 was received from the External Auditor on the 05 September 2023 which stated one “other matter” as follows:

The smaller authority has confirmed that it has not complied with the governance assertion in Section 1, Box 5, but it has provided the appointed auditor with an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified.

(Audit Note: We are pleased to report that this has already been resolved for 2023-2024 as the risk assessment was approved by the Town Council at their meeting on 26 June 2023. We would recommend that the Responsible Finance Officer consider if the updated risk assessment should be taken to the Council and revisited where further risk have been added and these should be approved by the Town Council before the 31 March 2024)

The Council is not a sole managing trustee.

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

The Town Council are now using the RBS Omega software for 2023/2024. The RFO provided a backup from the software for the period April 2023 to 30 September 2023 so that the transactional and budget information could be checked.

We agreed with the RFO an internal audit visit would take place on Thursday 19 October 2023. Supplementary information was obtained and evidence of approval of invoices, receipt details, and contracts of employment were checked at the visit.

We also checked the details displayed on the Town Council website to support the governance and financial management position of the Council.

We are pleased to report that the RFO has reviewed the banking arrangements for the Town Council and note that the Nat West Current and Reserve Bank Accounts have now been closed on the 17 October 2023. All balances have been transferred and paid to a Unity Trust Current Account. A new set of bank mandates has been set up to operate all bank accounts and these will be ratified at the next Town Council meeting.

We further note that notice has been given to close the Nationwide Bank Account which will be closed in November 2023 and the transfer of funds will be made to the Unity Trust Current Account.

We discussed with the Town Clerk and RFO that the planned work for St Thomas’s Church is going well and that the project is meeting its targets for completion. It is also noted that the RFO has also managed to secure further grant funding from the Youth Investment Fund of £46,149 which will increase the total funding to £624,706.

• • • • •

Of this, £150,000 is held as Revenue costs for the resourcing of the venue once it is completed and ready for use.

The Agenda for the Town Council meeting held on the 02 October 2023 contains an item to consider staff accommodation. It is understood that the Council will need to find additional space to accommodate staff which may require moving to new premises.

(Audit Note: We recommend that the Town Council should be mindful to consider all options for any future move of premises which cannot be funded through income streams or current Reserves. The Town Council currently hold PWLB loans to the value of £643,095.67 and the repayment periods will not be completed until 2050).

(Audit Note: If the Council decide to move forward to take further loans, then it is likely that this will impact on a substantial increase in the Precept. Careful consideration will be required to ensure that the local community will accept such an increase and it is recommended that a survey with residents should be taken).

We have noted that the Council website does not contain the latest Financial Regulations as those displayed show those approved in 2022. The Financial Regulations approved at the Town Council meeting on 15 May 2023 should now be uploaded and displayed on the website.

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:

- Financial Regulation 4.1 and 4.3 which refers to the Accounts and Audit Regulations 2003. These Regulations have been superseded and the details should read Accounts and Audit Regulations 2015.

We continue to recommend that the Council should introduce a formal Reserves and Investment strategy. We recorded in our previous report that 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 3-6 months' worth of expenditure as set out in the Practitioners' Guide 2023. This should form part of the Reserves and Investment policy which should be introduced in 2023/2024.

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
- Contracts of Employment
- VAT claims
- Insurance
- Budgets and Reserves
- 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 RBS Omega software
- The Clerk is aware of the requirements of GDPR
- The Council is registered with the ICO
- Bank reconciliations are carried out promptly each month and were accurate
- 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 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
- Council Minutes are signed by the Chairman as evidence of decisions taken by the Council.

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.

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.

Financial Regulations

- Financial Regulation 4.1 and 4.3 should be amended and updated to read the Accounts and Audit Regulations 2015.

Other matters to be brought to the Council's attention

- The Council has provided evidence of the posting date for the Exercise of Public Rights in 2023 and will be able to tick "Yes" to Assertion 4 on Section 1 (Governance Statement) of the AGAR 2023/2024 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 2023/2024.
- We are pleased to report that the RFO continues to update the Asset Register to record the value of new purchases. This will ensure that the totals reflected in the final end of year figures for Box 9 on Section 2 Accounting Statements are accurate, for reporting to the External Auditor.
- We note that an updated 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 of the External Auditor. We will then tick "Yes" to Control Objective C on the Annual Internal Audit Report 2023/2024. The 2023/2024 risk assessment should then be uploaded on to the Council website for information.
- We test checked a sample of Contracts of Employment and found that a small number of Contracts were not signed by both the employer and the employee. 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 continued improvements have been made since the previous internal audit review to 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