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17 March, 2023

**The Town Clerk**

**Alton Town Council**

**Town Hall**

**Market Square**

**Alton, Hants**

**GU34 1HD**

Dear Leah

**Second Interim Internal Audit Report**

**Alton Town Council – July 2022 to February 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, considering public sector internal auditing standards or guidance.

We confirm that we are independent of the Council.

The internal audit work to be 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 Annual 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).

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## Background

Alton Town Council had income and expenditure in 2021/2022 of between £1,000,000 and £1,500,000 and is subject to review by the External Auditor, PKF Littlejohn.

The Conclusion of Audit Notice for 2021/2022 was received on 11 September 2022 and it is pleasing to note the Council had a clean annual report from the External Auditor for 2021/2022.

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 Council's accounting records are maintained on RBS Omega Software

This is the second review 2022/2023 to check the internal control systems from the previous internal audit work done in July 2022. It focusses on checking and validating internal control systems in use at the Town Council including transactional elements of the financial accounts.

Due to unforeseen personal circumstances of the Internal Auditor, this review was carried out remotely from the back-up information sent electronically by the Town Clerk and Assistant to the Town Clerk for the period July 2022 to January 2023 which supports the current governance and financial management position of the Council.

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

We held a close of audit Zoom meeting to discuss the outcome from the review which is recorded in this report and also agreed a new date on Wednesday 15 March 2023 for a visit to the Town Council. This will check the Council's position in preparation for the End of Year accounts, External Audit and the handover to the newly appointed Internal Auditor for 2023/2024.

The period between July 2022 and February 2023 has been particularly busy for the Town Council. The main items of note which have been approved, agreed and adopted are as follows:

- a capital works programme for:
    - Anstey Park including play area resurfacing.
    - the pump track completion and opened in December 2022
    - the Council issued the solar floodlighting tender documents on 06 February 2023 which closed on 10 March 2023. Final decision to be made at full Council on 22 March 2023.
    - an Open Spaces Catering Contract has been agreed and approved for the Public Gardens/Anstey Park and Jubilee Playing Fields.
- (Audit Note: All works to be completed using the correct quotation and tender process as per the Town Councils Financial Regulations).***
- the closure of the Resilience Fund on the 31 December 2022.
  - a five-year updated Contract has been agreed to continue with the current IT provider.
  - an Advice Cafe has been established and this is now operational in the Town and further decision on its use and extension beyond 31 March 2023 will be taken at full Council on 22 March 2023.
  - an extension of the agreement to 31 March 2024 has been agreed and approved for the Assembly Rooms.

We have also noted extensive debate and preparation work including the commencement of public consultation concerning Kings Pond Management Plan. The extraordinary meeting held on the 18 January

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2023 set out the proposals for the way forward which includes substantive monies being used from reserves to support the proposals. We have noted that it is estimated that £250,000 will need to be set aside to complete the project with £170,000 to be used from CIL monies and £80,000 made up from £40,000 open spaces budget, £30,000 from underspending in 2022/2023 and £10,000 from other budget areas which will be allocated at the end of 2022/2023.

The Council have agreed an action plan which will now require further due diligence to check on both technical and financial risks with a potential to remove outlet weir and or further dredging. Further public consultation will take place once the final proposals and assessments are completed.

We are pleased to report that the Town Council has already agreed the budget and precept approval for 2023/2024 at the Town Council meeting on the 24 January 2023. The Council have agreed an increase in its Precept for 2023/2024 and have considered the current financial crisis by reviewing all budget heads before the budget approval and precept for 2023/2024.

However, we recognise the Council is active in scrutinising the budget verse actual expenditure on a regular basis but would suggest caution when considering the overall reserves position of the Council. The plans for Kings Pond development may require constant review to ensure that there is no strain on the future budgets. It should be noted the general reserves should be maintained at a level whereby 6 months expenditure is held for the purposes of maintaining adequate cash flow so as not to put strain on the budget set for 2023/2024.

We further note that the Council had approved to dissolve three committees (Policy and Resources, Community and Opens Spaces), It is our opinion that although the effect of changing the governance arrangements in favour of more full Council meeting does not have any detrimental effect, this will need to be managed within the set timetable of Council meetings. We acknowledge that the full Town Council will increase the number of meetings it holds to replace the existing committee system.

We further note the reintroductions of the Neighbourhood Steering Group who will facilitate the review of the Neighbourhood Plan and again we would suggest that close monitoring should continue to ensure that the cost of such review is highlighted and reviewed as part of the continuing budget management of the Town Council.

We have discussed with the Assistant to the Town Clerk the increase in the single transaction limit on the Town Council credit card which has been raised from £500 to £1000. We note that Financial Regulations 6.8 refers only to the payment by BACS or Chaps and would suggest that it should be amended to record payments can also be made by Corporate Credit Card.

We also recommend that Financial Regulation 5.2 should be amended so that all payments will now be taken to the full Town Council for ratification as the Policy and Resources Committee has been dissolved. The reference to the listing of payments should also reflect the increase in the single transaction limit for the Corporate Credit Card and any items purchased over £500 should be listed as payment to be ratified by Council.

#### **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 review we checked and sample tested the following:

- Minutes of Council and Committee Meetings
- Policies and Procedures
- Bank and cash
- Investments
- Petty Cash
- Budgetary Management
- Income and Expenditure
- Payroll
- VAT claims
- Financial Risk Assessment
- 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 continues to maintain its books and records on RBS Omega Software.
- Staff are 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 income records are appropriate and recorded correctly.
- All expenditure items could be traced and are recorded correctly in the financial ledger.
- Petty cash is maintained, recorded, and approved appropriately.
- All records continue to be up to date and easy to follow.
- The Council take an active scrutiny role.
- The Council maintain a strong investment position.
- The budgeting process is detailed, thorough and monitored throughout the year.
- Bank reconciliations are carried out each month and were accurate.
- VAT claims continue to be submitted to HMRC on a regular basis.
- Payroll information is calculated correctly, showing appropriate deductions for PAYE, National Insurance and Pension Contributions.

### Recommendations

#### Financial Regulations

- Financial Regulations should be amended to remove all references to the dissolved Committees. It should then be updated with the appropriate details to cover any decision making or approvals by the full Town Council.

#### Other matters of note brought to the Council's attention

- We note that the financial risk assessment for 2022/2023 has been approved by full Council on 27 July 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. The 2022/2023 risk assessment should now be uploaded on to the Council website for information.

- The Council will need to ensure that the Asset Register is kept up to date to record the value of new purchases. This will ensure that the totals reflected in the End of Year figures for Box 9 on Section 2 Accounting Statements are accurate for reporting to the External Auditor. The Asset Register was reviewed and approved by the full Town Council on the 1<sup>st</sup> February 2023 before the end of the financial year
- The Council has 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.
- The best practice requirements of the Transparency Code Regulation 2015 were checked on the Council website. We note that Payments over £500 are recorded to the 31 March 2022, with payments beyond this time reported in the Full Council agenda papers but not uploaded to the financials section of the website We recommend that these should be included on the relevant pages on the website throughout the financial year , rather than just on an annual basis.
- The Assistant to the Town Clerk is aware of a legal challenge made by Chelmsford City Council that VAT should not be charged for the hire of Sports Pitches. A recent briefing note supplied through Hampshire Association of Local Councils by a VAT Consultant specialising in the Local Council Sector indicates that the Town Council should cease charging VAT on the hire of Sports Pitches in future. The Assistant to the Town Clerk will be able to claim a refund of the sums collected and paid to HMRC for up to four-year period. The Assistant to the Town Clerk is currently in the process of calculating these sums which will be submitted on the next VAT reimbursement claim to HMRC. .

### **Conclusion**

Based on the tests we have carried out at this interim internal audit visit, in our view, the internal control procedures in operation are appropriate to meet the needs of Alton Town Council, although we have expressed the need for the Town Council to closely monitor its general reserves position during 2023/2024, particularly to ensure it can sustain its cash flow position whilst project work is undertaken.

**Next review**The next internal audit visit has been arranged for **Friday 21 April 2023**.

At this visit detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash
- Investments
- Income and Expenditure
- Assets Register
- Budget 2023/2024
- VAT claims
- Transparency Code Regulation 2015
- End of Year Procedures

### **Next Steps**

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

Tim Light FMAAT  
Internal auditor