LIGHTATOUCH

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14 December, 2021

The Town Clerk

Alton Town Council

Town Hall

Market Square

Alton, Hants

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Dear Leah

Second Interim Internal Audit Report

Alton Town Council – July 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, 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 2021-22 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)' 2021
- The Accounts and Audit (England) Regulations 2015 (as amended).

Background
Alton Town Council had income and expenditure in 2020/2021 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 2020/2021 has now been received and it is pleasing to note the Council had a clean annual report from the External Auditor for 2020-21.

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

We have previously reported in internal audit reports that the Council Offices were closed to the public due to the continuation of the Covid 19 pandemic. We have noted that since July 2021 the Council are now open to the public.

This is the second visit in 2021/2022 to check the internal control systems from the previous internal audit work done in in 2021/2022 and focusses on checking and validating internal control systems in use at the Town Council including transactional elements of the financial accounts.

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

We are pleased to report the Town Council retains full functionality in 2021/2022 and the Council have met face to face since the 7 May 2021 following the requirements of the updated Coronavirus legislation.

We discussed with the Assistant to the Town Clerk the purchase of the Sum Up Machine and how effective this new tool will help provide better processing for credit and debit card transactions particularly for allotment payments where monies can now be received by card payment rather than in cash. We further discussed the internal controls required to ensure that proper process is used and the deductions for commission charges can be traced. We also discussed the requirements for reconciliation and approval of the statements received from transactions processed. We will test the operation of the new Sum Up transaction at the next audit visit.

We held a short Zoom meeting with the Town Clerk who was working from home on the day of the visit to feedback on the details from the internal audit review. We discussed in more detail the sale of a property in Windmill Court, Alton and we have noted the proceeds of sale which has now been received by the Council. We further discussed the possibility to review the Fidelity Guarantee limit on the Insurance Policy but agreed this would be done when the Insurance is reviewed in 2022 to consider a renewal and if a new Insurance Provider will be used.
We also discussed the potential for further long-term investments as the total held in the Councils current bank account is high. We agreed that this will be kept under review and if the financial markets improve and interest rates increase then it would seem appropriate for further long-term investment to be agreed.

We further confirmed that notice is given that 2022/2023 will be the final year for Internal Audit provision by Lightatouch. Best practice recommends market testing for the Internal Audit service every 3 to 5 Years. However, it was agreed with the Town Clerk to give the Council assurance that for 2021/2022 the Internal Audit is carried out to the proper testing schedule specification. Confirmation will be obtained from a third-party Auditor that the tests carried out on the internal control framework for the Council is appropriate and in line with the requirements for Smaller Authorities.

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 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
- Contract and Lease Arrangements
- 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.
- Contract and Tendering arrangements adhere to those recorded in Financial Regulations.
- 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.
- Sales Invoices are raised when appropriate to record income due to the Council.
- The Council's website continues to meet the requirements of the Transparency Code Regulation 2015.

Recommendations

Bank Reconciliations.

- We continue to recommend that the Chairman of the Policy and Resources Committee should sign and date the bank reconciliations quarterly to confirm that bank reconciliations have been carried out accurately as part of Town Council scrutiny role.

Other matters of note brought to the Council's attention

- We are pleased to report that the recommendation made to introduce authenticity checks on the Councils Credit Card transaction has been implemented. We are also pleased to report that Finance and Administration Manager approves all entries recorded on the credit card statement before payment is made and signs the Credit Card statement to authorise that payment can be made
- 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 risk assessment for 2021/2022 has been approved by full Council on the 18 August 2021. 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 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.
- We have noted the Council approved the Asset Register at a full Council meeting on 26 April 2021. 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

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 except where we have made recommendations in this report.

Next review

The next internal audit visit has been arranged for **Tuesday 19 April 2022**.

At this visit detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash
- Investments
- Income and expenditure
- Assets Register
- Budget approval 2022/2023
- VAT claims
- Transparency Regulation 2015
- 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