

LIGHTATOUGH

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13 June 2022

The Town Clerk

Ryde Town Council

Town Hall Chambers

10 Lind Street

Ryde

PO33 2 NQ

Dear Lisa

Final Internal Audit Report

Ryde Town Council – April 2021 to March 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 2021-2022 Annual Governance and Accounts 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).

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Background

Ryde Town Council had income and expenditure of between £1,500,000 and £2,000,000 in 2020/2021 and was subject to review by the External Auditor, PKF Littlejohn. The Accountability and Governance Annual Return (AGAR) was submitted to the External Auditor 2020/2021 after approval of the AGAR on the 30 June 2021.

The conclusion of audit notice and certificate for 2020/2021 was received from the External Auditor on the 24 September 2021 which stated one "other matter" as follows:

We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2021/22 for the exercise of public rights, since the period for the exercise of public rights was less than 30 consecutive working days in length. As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2021/22 and ensure that it makes proper provision for the exercise of public rights during 2022/23.

(Internal Audit Note: As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2022/23 and we will answer "No" to Control Objective M on the Annual Internal Audit Report 2021/2022. The Town Council must ensure that it makes proper provision for the exercise of public rights during 2022/23.

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 were retained on Scribe software until 31 December 2021 and are now on SAGE 50 from 1 January 2022.

A short introductory meeting was held remotely Monday 23 May 2022 with the Accounting Technician to agree the scope of the Internal Audit review for 2021/2022.

The Accounting Technician provided access to both the Scribe software and SAGE 50 so that the internal audit could be carried out remotely. Further information was provided and details were obtained for the period April 2021 to March 2022 to support the current governance and financial management position of the Council.

We also note that the Council have met remotely during the Covid 19 pandemic in accordance with the temporary legislation requirements that allow Councils to meet virtually using the technology.

We have noted that Financial Regulations 6.2 records that a scheme of delegation is in place which gives delegated authority to the Town Clerk and Responsible Financial Officer (RFO) up to £25,000 for Council purposes. It is our opinion that this level is set too high without Council or Committee approvals. *(Audit Note: it is noted that the Town Council have reviewed these limits for 2022/2023 and have formalised a new scheme of delegation for both the Town Clerk, RFO and Budget Holders)*

We are concerned that there is no evidence of certification on both invoice and payment vouchers to confirm that approval has been provided for sending payments to the bank. If it is considered essential to have a scheme of delegation limit of £25,000 for Council purposes then consideration should be given to introduce quarterly/half year sample validity checks 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.

We have further noted that no composite bank reconciliation is produced for all bank accounts held by the Town Council. Although bank reconciliation sheets are produced for the main current account these are not signed or dated by the RFO or the Chairman of the Finance and Community Committee.

We have also noted that there were no bank reconciliations completed and approved from 1 April 2021 to 31 October 2021 that were taken to the Finance and Community Committee for their information and approval. The Annual Internal Audit Report Control Objective I. requires the Internal Auditor to check that Bank Reconciliations are properly carried out throughout the financial year. It is our assessment that this has not happened in 2021/2022 and we will answer “No” to Control Objective I. on the Annual Internal Audit Report 2021/2022.

We have noted that the Town Council approved a review of the Council website in November 2021. We are of the opinion that the website remains difficult to navigate and that information cannot be easily retrieved by one click. Some Council and Committee Minutes are missing from meetings that have taken place over 30 days old to ensure that transparency of the information is readily available to the community.

We are further concerned that the Council do not have a formal reserves and investment strategy. It is noted that the Council have recently bought many properties and assets that need future maintenance which has not been budgeted for a part of the five-to-ten-year business plan. Action should be taken to review the current levels of reserves, and these should be earmarked where projects or commitments are required to provide sufficient fund during 2022/2023. The Council should also be mindful to hold sufficient general reserves that will be able to cover between six to nine months expenditure to ensure payment can be made to Contractors and Suppliers. This should form part of the reserves and investment policy which should be introduced in 2022/2023.

Until can be proven that there is a sufficient business case or funding available to move forward it is suggested that no further action should be considered to purchase the Ryde Theatre.

With a number of assets transfers taken over by the Town Council from the IOW Council it has highlighted the lack of resources available to be able to provide continuous maintenance without outsourcing some tasks where the Town Council does not have the current capacity or expertise. We would urge the Town Council to reconsider its current staffing structure so this will provide for sufficient in-house resource to deliver services in all areas of the Council.

We acknowledge with the appointment of the Accounting Technician in July 2021 there have been certain changes in practice, including the installation and introduction of SAGE 50 since January 2022. Further enhancements to the internal control system can be achieved if the Council agree to implement further recommendations made in this report.

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
- PWLB Loan information
- Petty Cash
- Insurance
- Budgets and Reserves
- Payroll
- Covid 19 arrangements
- 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. (Since the appointment of the Accounting Technician)
- The Reserves position is appropriate for the size of the Council
- Petty Cash is reconciled and agreed to the Petty Cash balances (Since the appointment of the Accounting Technician)
- The Insurance cover is appropriate for the size of the Council
- All income records are appropriate and recorded correctly. (Since the appointment of the Accounting Technician)
- All expenditure items could be traced in the financial ledger
- The budgeting process is detailed and monitored
- VAT claims are made to HMRC (Since the appointment of the Accounting Technician)

Recommendations

We recommend that:

Bank Reconciliations

- a composite bank reconciliation should be completed and signed by the RFO each month and taken to the Finance and Community Committee meetings for information and approval.
- the Chairman of the Finance and Community 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.

Council Website

- Further work should be carried out to improve the functionality of the website and to ensure that information held meets the requirements of the Transparency Code Regulations 2015.
- Consideration should be given to formalising arrangements with an established website provider who has a given track record in the Smaller Authorities Sector.

Reserves and Investment Policy

- A Reserves and Investment Policy should be introduced to ensure the financial security of the Town Council.

Staffing Structure

- The current staffing structure should be reviewed, and staff levels increased appropriately to maintain and deliver an effective and efficient service for the Town Council.

Scheme of Delegation

- 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. *(Audit Note: We understand that a review undertaken by the Accounting Technician and a new list of authority limits has been approved by the Town Council in May 2022)*

Invoice Authenticity checks

- Each Invoice should be checked and agreed by the Responsible Finance Officer and the words “checked and agreed” should be used to confirm that an authenticity check has been carried out to confirm the amount to be paid and that goods and services have been delivered. *(Audit Note: We understand that the Accounting Technician has ordered a stamp which will provide for confirmation that details have been checked and agreed before the payments are approved for payment.*

Use of Purchase Orders

- The Town Council should introduce a formal process of producing Purchase Orders which can be used to control approvals to spend from the Budget and to ensure appropriate levels of authorisation have been applied before goods and services have been placed with suppliers and contractors.

Councillor Security Checks

- 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 and approved by Town Clerk or RFO before it is confirmed to the Community Action that salary information can be released to the bank.

Other matters to be brought to the Council’s attention

- It should be noted that the External Auditor 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. The Practitioners’ Guide 2022 Section 5 has been updated to show 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.
- We note that the risk assessment for 2021/2022 has been approved by full Council on the 07 March 2022. 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 Finance and Community Committee approved the Asset Register on 22 March 2022. 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

- The Council are currently in the process of updating its website and consideration should be given to employ a new website provider with a given track record in the Smaller Authorities sector. The content of the upgraded website should give consideration to ensure the Council can remain compliant with the best practice requirements of the Transparency Code Regulation 2015.

End of Year Procedures 2021/2022

A full check was carried out on the End of Year documentation provided by the Locum Responsible Finance Officer to confirm the accuracy of the details to be submitted to the External Auditor. This also included the validation of any variances of totals over 15% between 2020/21 and 2021/22 shown on Section 2 of the AGAR as required by the External Auditor.

The Annual Internal Audit Report to be submitted to the External Auditor was completed and signed by Tim Light.

- This includes the Internal Auditor being shown evidence that the posting of the notice on the website was done at least one clear day before the 30-working day period begins.

The 2021/2022 AGAR Annual Internal Audit Report requires the Internal Auditor to check the Council has correctly provided the proper opportunity for the Exercise of Public Rights in accordance with the requirements of the Accounts and Audit Regulations 2015.

Audit Note: We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as amended by SI 2020/404 the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 as it failed to make proper provision during the year 2020/21 for the exercise of public rights did not include the first 10 days of July 2021. As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2021/22 and ensure that it makes proper provision for the exercise of public rights during 2022/23.

Audit Opinion

We have made recommendations in this report to enhance and strengthen the internal controls that exist. We can give limited assurance at this stage that the internal control framework is adequate, but this will need to be tested again to give full assurance during 2022/2023.

Next Steps

June 14, 2022
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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

Annual Internal Audit Report 2021/22

RYDE TOWN COUNCIL (10W)
WWW.RYDETOWNCOUNCIL.GOV.UK

During the financial year ended 31 March 2022, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2021/22 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.		✓	
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")			✓
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements			✓ (Council cover 2022 125K)
M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).		✓	
N. The authority has complied with the publication requirements for 2020/21 AGAR (see AGAR Page 1 Guidance Notes).	✓		
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

23/05/22 29/05/22 08/06/22
13/06/22

TIM LIGHT FMAAT

Signature of person who carried out the internal audit

T. J. Light

Date

13/06/22

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).



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Ryde Town Council – Annual Internal Audit Report 2021 -22

Explanation of “No” to Control Objective I

It came to the attention of the Internal Auditor that the Responsible Financial Officer has not carried out regular bank reconciliations in 2021/2022. No bank reconciliation was undertaken that was approved and confirmed as accurate between 1 April 2021 and 31 October 2021. It is noted that since the appointment of an Accounting Technician this has now been resolved for 2022/2023.

We have therefore assessed the test as “No” to Control Objective I

Explanation to “Not Covered” to Control Objective L

As this Authority has Income and Expenditure that exceed £25,000, they are not subject to publish information on the Council Website in accordance with the Transparency Code Regulation 2015.

We have, therefore, assessed the test as ‘not covered’ for Control Objective L.

Explanation to “No” to objective M

We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as amended by SI 2020/404 the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 as it failed to make proper provision during the year 2020/21 for the exercise of public rights did not include the first 10 days of July 2021. As a result, the smaller authority must answer ‘No’ to Assertion 4 of the Annual Governance Statement for 2021/22 and ensure that it makes proper provision for the exercise of public rights during 2022/23.

We have therefore assessed the test as “No” to Control Objective M

Tim Light FMAAT

Internal Auditor

