

LIGHTATOUCH

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12 October 2022

The Parish Clerk

Fawley Parish Council

Gang Warily Recreation Centre

Newlands Road

Fawley

Southampton

Hampshire SO45 1GA

Dear Steph

**Interim Internal Audit Review:
Fawley Parish Council – covering 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 2022-23 Annual Governance and Accountability Return (AGAR).

We have complied with the legal requirements and proper practices set out in:

- 'Accountability and Governance for Local Councils – A Practitioners' Guide (England)' 2022
- The Accounts and Audit (England) Regulations 2015 (as amended).

This is the first interim audit review in 2022/2023 to check the requirements set out in the Accountability and Governance for Smaller Authorities in England is adhered to by the Council ensuring compliance with proper practices is maintained.

Background

Fawley Parish Council had income and expenditure in 2021/2022 of between £900,000 and £1,000,000 and is subject to review by the External Auditor, PKF Littlejohn.

(Audit Note: Although the Annual Governance and Accountability Return 2021/2022 was returned to the Parish Council for amendment, I am pleased to report that a clean annual report was provided from the External Auditor's conclusion audit notice and certificate 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

The Parish Clerk has now been in post since January 2022. Since the commencement of her employment, the Parish Clerk has reviewed and enhanced the internal controls systems for the Parish Council in the following areas:

- The recording of income received through the Recreation Centre which has culminated in the opening of a dedicated bank account for Recreation use
- A new coding structure to ensure that budget management could be streamlined with fewer cost codes, so these are targeted to appropriate service provisions needed for budget management information
- A fresh look at the staffing structure of the Parish Council which has resulted in re distribution of roles and a slimline approach to the resources of the Parish Council
- Reviewed and updated Financial Regulations
- Ensured Civility and Respect is adopted by the Parish Council
- The introduction of the new Parish Council website.

Further challenges now face the Parish Council, but these will be pursued by the Parish Clerk to continue to good work that has although been completed.

We have discussed these challenges with the Parish Clerk and we have made recommendations in this report to ensure that robust internal control systems are established.

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

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 Parish Council's internal control framework. This internal audit report is based on the audit testing carried out at the visit.

During this interim visit 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 financial management records on RBS Omega Software
- The Sports Booker system is used to record bookings for the Recreation Centre
- A Stripe system is used to record on-line receipts for Recreation Centre bookings
- 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 expenditure items could be traced and are recorded in the financial ledger
- The budgeting process is detailed and monitored throughout the year
- Deductions for PAYE, National Insurance are paid to HMRC each month
- Deductions for Pension Contributions are paid to Hampshire Pension Fund each month
- Bank reconciliations are carried out each month
- Cash and income are recorded and could be traced to the bank account.
- The Council takes an active scrutiny role
- A debt management system is in place to chase outstanding income due to the Council.
- VAT claims are made regularly
- The Council remain compliant with the requirements of the Transparency Code 2015

Recommendations

Councillor Engagement

- A review of Councillor engagement to assess whether further training needs are required to ensure Councillor engagement is maximised.

Leases and Licences

- A review of the leases/licences held by the Council should be undertaken to give assurance that all are appropriate to formally record the arrangements between the Parish Council, lessee and or licence holder.

Financial Management Software

- The Council should ensure that the current software is fit for purpose. The Parish Clerk should explore other software options that will enhance the financial management information available to the Council. *(Audit Note: It is our opinion that the current software does not provide sufficient budgetary functionality and is burdensome to collate and manage. It is unable to provide sufficient budget management information which needs further manual processes to be introduced to ensure enough budget information can be obtained).*

Risk Management

- The Council should review all of its risks to ensure they are captured and recorded in a risk assessment document or risk register. The use of the Risk Management wizard tool should be introduced to support this review.

Parish Council Strategy

- The Parish Council should introduce a formal strategy that set targets and provide vision in a strategic plan covering the next 5 years.

Budget Setting 2023/2024

- When setting the Parish Council budget for 2023/2024 account should be taken of the current UK financial and energy crisis. **(Audit Note: It is our opinion that the Council should consider an uplift in its Precept for 2023/2024 in a range of a 5% plus increase).**

Other matters to be brought to the Council's attention

- The Council have provided evidence of the posting date for the Exercise of Public Rights in 2022 and we 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.
- We note that the risk assessment 2022/2023 documentation has been approved by full Council in July 2022. **(Audit Note: We have discussed this with the Parish Clerk who will review the documentation to ensure that it is more comprehensive and fit for purpose with the reintroduction of the Risk Management wizard).** However, 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 also 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.

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 adequate to meet the needs of Fawley Parish Council except where recommendations have been made in this report.

Next visit

The next internal audit visit has been arranged for **Tuesday 7 March 2023**.

At this visit detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash
- Investments
- Income and expenditure
- Leases and Contracts
- Strategic Planning
- Risk Management
- VAT claims
- Asset Register
- Budgets for 2023/2024.
- Transparency of website

Next Steps

This report should be noted and taken to the next meeting of the Parish Council.
The Council should decide what action will be taken on the recommendations we have made.

Tim Light FMAAT
Internal auditor