

# **Southern Internal Audit Partnership**

Assurance through excellence  
and innovation

## **Ringwood Town Council**

### **Internal Audit Report**

**Supplementary Paper to Annual Governance and Accountability Return 2022/23 Part 3**

**21 June 2023**

**Prepared by: Karen Ross**

**FINAL REPORT**

## 1. Introduction

1.1 The scope of this review was to ensure that adequate control exists over the internal control objectives specified under points A-M of the Annual Governance and Accountability Return 2022/23 Part 3.

1.2 We are grateful to Chris Wilkins, Jo Hurd and Rory Fitzgerald for their assistance during the course of the audit.

## 2. Objectives

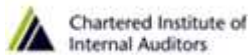
2.1. This review has sought to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:

- A. Appropriate accounting records have been properly kept throughout the financial year;
- B. The Town Council complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for;
- C. The Town Council 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; process 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 the 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 and year-end bank account reconciliations were properly carried out;

- 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. The authority has demonstrated that during summer 2022 it correctly provided for the exercise of public rights as required by the Accounts and Audit regulations;
- L. The authority has complied with publication requirements for 2021/22 AGAR and
- M. The Town Council has met its responsibilities as a trustee.

### 3. Circulation List

- 3.1. This document has been circulated to the following:  
Chris Wilkins, Town Clerk  
Rory Fitzgerald, Responsible Finance Officer (RFO)



The Southern Internal Audit Partnership conforms to the IIA's professional standards and its work is performed in accordance with the International Professional Practices Framework (*endorsed by the IIA*).

#### 4. Summary Findings

Assurance Opinion	
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Management Action(s)	
<b>High</b>	<b>0</b>
<b>Medium</b>	<b>0</b>
<b>Low</b>	<b>0</b>
<b>Total</b>	<b>0</b>

Key Observations
<p><b>Areas assessed to be working well/controls are effective</b></p> <ul style="list-style-type: none"> <li>Detailed financial results comparing year-to-date actuals against budget are compiled and reported to the Policy &amp; Finance Committee on a monthly basis in a format which provides an audit trail to original transactions within the Council's Financial Information System (Edge).</li> <li>The current Financial Regulations were adopted in July 2022. Testing of a sample of twenty points within the Financial Regulations found them all to be fully compliant.</li> <li>Payments to suppliers were supported by invoices and authorised via Edge workflows with VAT appropriately accounted for. Testing of procurements via petty cash found that floats had been balanced and transactions were coded and posted to Edge in a timely manner. VAT returns can be substantiated to transactional level within Edge and the RFO is responsible for ensuring returns are submitted within HMRC's deadlines.</li> <li>Sales invoices were raised in compliance with the Council's current charging policies and correctly coded with VAT appropriately</li> </ul>

accounted for.

- A full financial risk review was presented to the Policy and Finance Committee in February 2022. The Risk Assessment is an annual assessment of the main risks facing the Council, how the risk is calculated and the measures in place to deal with them. Risk assessments for new projects and activities are conducted and presented to the Policy and Finance Committee as necessary. Due to the scale and complexity of a project to improve football facilities a special scrutiny panel was formed to oversee it and a risk register for the project was created.
- Draft budgets setting out 2022/23 and 2023/24 precepts were presented to the Policy & Finance Committee and then Full Council by January 2022 and January 2023 respectively. Year-to-date actuals against budget were reported to the Policy and Finance Committee at each meeting, along with executive summaries, summaries of cash-book movements and transfers to and from reserves. General reserves have been maintained in line with guidelines, with additional commentary provided as necessary.
- Testing of payroll transactions found that the specialist company contracted to ensure monthly salary, PAYE, NI and Members' allowance payments are correct and are being provided with the correct information in a timely manner. Internal controls around these processes and the subsequent posting of anonymised payroll costs to Edge are robust.
- The RFO maintains a comprehensive fixed asset register with additions and disposals updated as required. A record is made of the last time each asset was checked. At the time of the audit annual inspections had taken place with the RFO undertaking site visits confirming actuals.
- Bank statements are reconciled by the RFO on a monthly basis and testing of all reconciliations agreed to the cash book summary presented to the Policy and Finance Committee. Cross-referencing of the year-end reconciliations confirmed they agreed to bank statements and the year-end cash-book. For additional scrutiny there is an arrangement in place for a Councillor to review reconciliations and statements following each Policy and Finance Committee meeting and sample checks confirmed Councillor signed off.
- Budgets and budget monitoring reports have been prepared on the correct income and expenditure accounting basis, as will the final accounting statements, and figures such as debtors and creditors on the final balance sheet can be substantiated to transactional level by Edge reports.
- The Council complied with point M of Part 3 of the AGAR which relates to providing for the exercise of public rights as required by the Accounts and Audit Regulations.
- There was evidence that the Council complied with point N of Part 3 of the AGAR which relates to the publication requirements of the 2021/22 AGAR as per related guidance notes by the dates specified, with all relevant documentation published on the Council's website.
- The Council acts as trustee for two charities and filed the relevant Charity Commission returns in a timely manner.

### Areas where the framework of governance, risk management and control could be improved

- No issues have been identified.

## 5. Added Value

5.1. One of the Core Principles that underpin the Professional Practice of Internal Auditing is to 'promote organisational improvement'. The Added Value section of the report provides insight, opportunities and collaborative learning (best practice) that the organisation may wish to consider moving forwards. We do not consider the issues raised in this section to adversely impact the control environment in the achievement of objectives reviewed.

5.2. The points raised below are for management to discuss and consider within the context of the organisation, and Internal Audit do not require a response on these.

### Added Value

- Part L of the AGAR requires that *'The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation'* while all the information is available through searching the website there may be benefit to a 'Transparency' page which pulls all this information together.

## Appendix 1 – Definitions of Assurance Levels

We use the following levels of assurance and prioritisations in our audit reports:

Assurance Opinion	Framework of governance, risk management and management control
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.