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Mr P Herbert
Littlehampton Town Council

26 May 2021

Dear Peter

Littlehampton Town Council - Internal Audit 2020-21

The internal audit of Littlehampton Town Council for the 2020-21 financial year is now complete. I am pleased to be able to report that I have signed off the attached internal audit report with no comments. The final audit was again carried out remotely due to pandemic restrictions.

As stated in the engagement letter, the scope of our work is limited to completing the audit testing and enquiries we deem necessary to complete Section 4 of the Annual Report for Local Councils in England. We do not provide assurance over or accept responsibility for areas of work not included in this scope, unless specifically agreed with the Council during the financial year.

In providing internal audit services we are not conducting a financial statement audit in accordance with standards and guidelines issued by the Audit Practices Board and our procedures are not designed to provide assurance over the reliability and quality of your financial statements and management information – that is the job of external audit.

We are required by the Annual Internal Audit Report included in the Annual Governance and Accountability Return (AGAR) to review controls in place at the Council against predefined control assertions. These control assertions are set out below, together with the results of my internal audit work for 2020-21.

The audit was carried out in two stages. The interim audit carried out remotely on 17 November 2020 concentrated on in year financial transactions and governance controls. The final audit was carried out remotely, due to Covid 19 restrictions. This work was carried out during the week of 24 May 2021 and concentrated on the statement of accounts and balance sheet.

A: Books of Account

Interim Audit

The Council continues to use RBS, an industry specific accounting package. I have tested the brought forward balances against the unaudited prior year annual return and can confirm these have been brought forward correctly.

The RBS system is used to report and record the financial transactions of the Council, it is used to make bookings for hires, allotments, and fixed asset register recording. A review of the cashbook shows that all data fields are being entered, supporting documentation is easily located from references recorded on the general ledger. Reconciliations tested were up to date at the time of the audit.

I have confirmed that the Council's VAT returns are up to date, with the most recent claim for the 3 months to 30 September 2020 submitted to HMRC on 15 October. I checked that balances in the return could be agreed to schedules produced by the accounting system.

At the time of my audit the Council had not yet received the external audit certificate. This is because the external auditor's deadline has been moved back to 30 November this year due to the pandemic. I confirmed that my internal audit report for 2019-20 was taken to the July meeting of Governance and Audit Committee. Minutes show proper consideration of matters arising.

I have no recommendations in this area.

Final Audit

The accounting statements have been agreed back to balance sheet and income and expenditure reports produced from the RBS Accounting system. All comparatives reported in the financial statements have been agreed back to the audited 2019-20 accounts as published on the Council website.

I confirmed that the year-end VAT return has been completed and submitted to HMRC. VAT reclaim per the balance sheet (£31,057) has been agreed to the relevant nominal ledger account and to the completed VAT return, together with a supporting schedule of transactions from the RBS accounting system.

The Council reviewed my interim audit report at the February 2021 meeting of Audit and Governance Committee.

I am satisfied that the Council has met this control objective.

B: Financial Regulations & Payments

Interim Audit

Financial Regulations were reviewed at Full Council in October 2020. Amendments were made to reflect the Council's move to online banking. Standing Orders were reviewed at

Governance and Audit Committee in February 2020. The Littlehampton documents are based on NALC templates.

Council is given authority to spend via the annual budget process. The Council has a robust procedure in place to ensure that all expenditure is authorised in line with financial regulations. I selected a sample of 10 higher value transactions from the ledger and I was able to confirm for all transactions that:

- Transactions could be agreed back to invoice
- Payment approval slip was on file, authorised by appropriate officers, with evidence of councillor sign off
- VAT accounting correct
- Expenditure appropriate for the Council

The RFO confirmed that the Council was able to continue operating existing payment processes during office closures.

The Council has moved to making payments using online banking from the end of October 2020. I have discussed the system in place with the Responsible Finance Officer, and I am satisfied that this system provides adequate separation of duties, and proper review of payments by councillors, prior to online payment authorisation at bank by the Town Clerk. Financial Regulations have been amended to reflect these changes. I will test the online payment system at my year end audit, as the system has only recently been changed.

I can confirm that the Council is compliant with the 2015 Transparency Code. Information is disclosed in the “How We Spend ” section of the website, and information on payments, and procurement is up to date, to the end of quarter 2 2020-21. Information on grants awarded is held elsewhere on the website, I have suggested a hyperlink is added to the “How We spend” page.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £678,582, up from £671,302 in 2019-20.

I sample checked Transparency Code data reported on the Council website. I confirmed information was up to date for the following data:

- Grant information published - grant awards made in 20-21 on website
- Expenditure over £500 was up to date to end of March 2021.

The Council has moved to paying most invoices by BACS since my last audit. Payment listings are prepared on the Council’s accounting system. These are reviewed, alongside the invoice and supporting documentation, by a councillor, who evidences this review. Payments are then set up at bank by the Finance Assistant, prior to authorisation by the Clerk or RFO.

I selected a further sample of 10 expenditure transactions from the ledger for the final 4 months of the financial year. For all transactions tested I was able to confirm that:

- Transactions could be agreed back to invoice
- Purchase order raised in advance of purchase (where required)
- Payment schedule containing invoice signed off by councillor
- Authorisation of bank payment by Town Clerk evidenced.

I am satisfied that the Council is meeting this control objective.

C: Risk Management & Insurance

Interim Audit

The Council has a risk management strategy in place and monitors and reviews risk on an ongoing basis. The RFO has confirmed that this will be formally reviewed at the February Governance and Audit Committee with Full Council sign off at the March 2021 meeting. I will review the approved risk assessment at my year end audit.

The Council is in year one of a new 3 year deal with Zurich insurance. The insurer was selected following a tender process run by Came and Co, a sector specialist insurance broker. Money cover is set at £1million. This is satisfactory, given the Council's documented approach to risk management in this area, which has been discussed in previous audit reports. Asset cover appeared consistent with the asset register. The RFO confirmed the policy will be amended and cover increased once the new playground is complete.

I understand that the Council is well advanced in planning for construction of a new community centre. It is important that the Council fully understands VAT issues around construction of the new building to ensure that

- Reclaim of VAT on building costs is made in line with regulations
- Correct VAT is levied for any income generating activities in the new building.

I have given the RFO details of a VAT advisor who specialises in the Town and Parish Council sector.

The Council has a well-established process for backing up computer data, with backups held at remote locations. The RFO has not been able to complete back up testing with the Council's ICT provider due to Covid related workload. A test of backup should be carried out annually, although I accept that the move to home working experienced by the Council over the past few months provides considerable assurance that back up and remote access protocols are working effectively.

I am satisfied this control objective has been met.

Final Audit

The Council's corporate risk register has been subject to further review in at the Full Council meeting in February 2021. Council approval of the risk assessment was confirmed in a minute of this meeting. I have reviewed the risk assessment and it is thorough and comprehensive.

I am satisfied that this control objective is being met.

D. Budget, Precept & Reserves

Interim Audit

The Council is the process of preparing the budgets for 21-22. The RFO held meetings with Service Managers in October. Subsequent meetings have been held with the leader of each political group and the Chairs and Vice Chairs of each committee. Budget reports are due to go to Committees in December, with final approval of budget and precept for 21-22 due at Full Council in January 2021. All precepting authority deadlines will therefore be met.

I have confirmed that regular budget monitoring reports are issued to committees in line with financial regulations. I was able to confirm that budget monitoring reports for quarter 2 2020-21 had been presented to committee. I reviewed the budget v actual report on RBS as at mid November 2020. There were no significant overspends that were not covered by funding from earmarked reserves.

I was pleased to note that the RFO provided updates to Committees and to Policy and Finance Committee, setting out financial impact of the Covid 19 emergency on the Council. I have reviewed the report presented to Policy and Finance Committee in September. This shows that the £60K estimated reduction in income is more than offset by cost reductions due to cancellation of events. I am therefore satisfied that there is no need to redraft the 2020-21 Council budget.

Final Audit

Reserves at 31 March 2020 were £2,572,592 (2019-20 £2,566,171).

Table 1

Reserves at 31.3.21

Name of reserve	Balance at 31.3.21
General Fund	352,404
EMR Projects	415,801
EMR Capital	408,983
EMR Vehicles	17,693
EMR Project 82	10,501
EMR Building Maintenance	78,746
EMR Museum	12,269
Capital Receipts Reserve	1,276,195

General reserves at year end represented 27 % of precept. This is in line with recommended levels set out in the NALC Practitioners' Guide which recommends that general reserves should not be allowed to fall below 3 months net revenue expenditure.

I note that the Council intends to make use of the capital receipts reserve in 2021-22 to fund the Keystone Centre project. This meets legislative requirements, which only permit capital receipts to be spent on capital projects.

I have confirmed by review of minutes that the Council approved the budget and precept for 21-22 at the January meeting of Full Council. The medium-term budgets for the next 3 financial years were also approved at this meeting.

The quarter 3 budget monitoring report was presented to Committees in March 2021. I reviewed the Community Resources Committee report and can confirm clear explanations of all variances was provided.

I am satisfied that this control objective is being met.

E. Income **Interim Audit**

I confirmed fees and charges for 20-21 had been properly approved at a meeting of the Community Resources Committee in December 2019.

Income has been significantly reduced in 2020-21, due to the impact of COVID on room hire and other ad hoc income. I will therefore carry out testing of income at my year end audit.

Final Audit

Precept per box 2 to the accounts was £1,279,268 (2019-20 £1,197,150). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £95,300 (2019-20 £123,171).

I tested a sample of income transactions amounting to £46K from the income transaction listing on the Council's accounting system.

£25,000 - contribution from Arun DC towards town centre events – agreed to invoice
£8,458 – insurance payment from Zurich insurance, confirmed to email from insurers
£12,944 – bank interest receipts – agreed to bank statement credits

I am content that this control objective has been met.

F. Petty Cash

Petty cash at balance sheet date was £250. The RFO confirmed that petty cash had been counted and reconciled to vouchers at 31.3.21. I am satisfied that controls over petty cash are appropriate.

G. Payroll

Interim Audit

The Council processes payroll in house using Sage 50 payroll. The RFO inputs all payroll changes and expense claims each month. The payroll is processed and a telepay document is produced and faxed to the bank. Payments are made electronically to staff.

I tested the August 2020 payroll in detail. I was able to confirm the payroll posted to the general ledger back to the telepay document that had been authorised by the Clerk and by the RFO. I agreed pay for 5 officers back to payslips, rates of pay were checked back to appropriate NJC scales. All payroll tested was paid in accordance with these payscales, and I am therefore satisfied that the Council has satisfactory controls over payroll.

Final Audit

Staff costs per box 4 to the accounts were £658,426 (2019-20 £626,823).

I tested the February 2021 payroll. I was able to confirm the payroll posted to the general ledger back to the telepay document that had been authorised by the Clerk and by the RFO. I agreed pay for 4 officers and one councillor back to payslips, rates of pay were checked back to appropriate NJC scales. Any overtime / mileage paid was agreed back to manager signed claim forms.

I confirmed that all payroll tested was agreed to approved rates of pay and authorised claim forms, and I am therefore satisfied that the Council has satisfactory controls over payroll.

H. Assets and Investments

Final Audit

Fixed assets per box 9 to the accounts were £ 3,147,744 (2019-20 £3,095,313) I have agreed the balance in the accounts back to the asset register. The asset register appears complete and to record assets at cost or proxy cost, as required by regulations.

Changes in asset register value year on year are supported by schedules of assets added and removed from the asset register, again at cost. I have reviewed the following changes in 20-21:

- Assets removed from asset register – Rosemead play equipment has been replaced in year and has therefore correctly been removed from the asset register.
- New assets amounting to £116,980 – this is the new Rosemead play equipment. . These assets include playground equipment purchased in 20-21. These have correctly been

added to the asset register at cost. Installation fees have been excluded and the asset register included the items now in place at Rosemead.

I am satisfied that the control objective has been met.

I: Bank Reconciliations

Interim Audit

Reconciliations for all bank accounts are carried out regularly and in accordance with regulations. This is clearly evidenced in the Council's bank reconciliation file. The September 2020 bank reconciliation was tested in detail. I confirmed the following.

- The face of the bank statements and the bank reconciliations had been signed off by the reviewing councillor
- All balances on the bank reconciliation were agreed back to bank statements / cashbooks
- Cashbook /bank statement differences were explained by schedules of unrepresented cheques / lodgments. Testing of these items to subsequent clearance through the bank account confirmed these adjusting items to be genuine – I tested 5 large items and confirmed they cleared the bank account in October 2020.
- Bank reconciliations were reported to a meeting of the Policy and Finance Committee, and this review was minuted.

Final Audit

Cash per box 8 to the accounts was £2,675,786 (2019-20 £2,562,021)

I reperformed the year end bank reconciliation. For all bank accounts I was able to agree the balance on the bank reconciliation back to bank statements and cashbook balances recorded on RBS.

Unrepresented cheques are significantly reduced this year, as the Council is making increased use of BACS payments to pay third parties. Unrepresented cheques at year end were £3,162. I tested one cheque of £500 to presentation at bank on 27 April 2021.

I note that the Council continues to make some payments by cheque, notably to grant recipients . These should be made electronically going forward, this ensures that grants are paid into verified bank accounts. The Council should try to eliminate cheque payments by the end of the financial year.

Loans outstanding at year end per box 10 to the accounts were £30,000 (2019-20 £60,000). This has been agreed to the year end loans statement supplied by Public Works Loans Board.

I am satisfied that the Council is meeting this control objective.

J. Year-end accounts

The Council maintains its accounting records on the RBS Omega accounting system. This is a sector specialist accounting package, well suited to a council of this size and activity level.

Littlehampton TC has produced accounts on an accruals basis, this is required as income / expenditure is above £200k. A reconciliation between Box 7-8 of the accounts has been prepared and can be agreed to supporting schedules of debtors and creditors. I do not audit this in detail, audit of the financial statements is the responsibility of external audit.

An explanation of year-on-year variances has been prepared to be sent to the external auditors, this sets out clear reasons for variances where an explanation is asked for.

I am satisfied this control objective has been met.

L: Exercise of Public Rights - Inspection of Accounts

Inspection periods for 2019-20 accounts were set as follows

Inspection - Key date	2019-20 Actual
Accounts approved at Full Council	25 June Full Council
Date Inspection Notice Issued and how published	1 July
Inspection period begins	2 July
Inspection period ends	12 August
Correct length	Yes

Inspection periods for last financial year were set in line with regulatory requirements.

N: Publication requirements 2019 AGAR

The Statement of Accounts, Annual Governance Statement and the external audit certificate are published on the accounts page of the Council website. The Conclusion of Audit certificate is also published, dated 20 November 2020, before the statutory deadline of 30 November.

O. Trusteeship

No trusts.

I would like to take this opportunity to thank Laura and Claire for their assistance with the audit and diligence in ensuring the Council has maintained robust financial controls throughout this difficult time.



I attach my invoice, and the internal audit report from the AGAR for your consideration. Please do not hesitate to contact me if I can be of any assistance, and I look forward to working with you in 2021-2.

Yours sincerely

A handwritten signature in black ink that reads "M. Platten".

Mike Platten CPFA

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
<p>I understand that the Council is well advanced in planning for construction of a new community centre.</p>	<p>It is important that the Council fully understands VAT issues around construction of the new building. I have given the RFO details of a VAT advisor who specialises in the Town and Parish Council sector.</p>	<p>Under consideration.</p>
<p>The RFO has not been able to complete back up testing with the Council's ICT provider due to Covid related workload</p>	<p>A test of backup should be carried out annually, although I accept that the move to home working experienced by the Council over the past few months provides considerable assurance that back up and remote access protocols are working effectively</p>	<p>Still outstanding,</p>

Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
<p>I note that the Council continues to make some payments by cheque, notably to grant recipients .</p>	<p>These should be made electronically going forward, this ensures that grants are paid into verified bank accounts. The Council should try to eliminate cheque payments by the end of the financial year.</p>	