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13 December, 2022

The Town Clerk

Weymouth Town Council

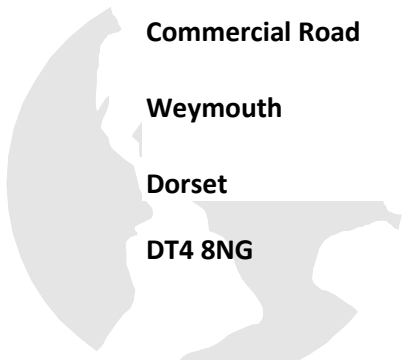
Council Offices

Commercial Road

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DT4 8NG



Dear Jane

Interim Internal Audit Letter

Weymouth Town Council – April 2022 – October 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 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 2022-23 Annual Governance and Accountability 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)’ 2022
- The Accounts and Audit (England) Regulations 2015 (as amended).

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Background

Weymouth Town Council had income and expenditure in 2021/2022 of between £4,000,000 and £5,000,000 and is subject to review by the External Auditor, PKF Littlejohn. The Council had a clean annual report from the External Auditor for 2021-22.

Visit Arrangements

An interim audit visit was arranged with the Deputy Town Clerk on Wednesday 29 November 2022.

A meeting was held with both the Town Clerk and Deputy Town Clerk to confirm the internal audit testing that will be undertaken as part of the internal audit arrangements for the financial year 2022/2023. We agreed a timetable for the end of year internal audit review when a detailed internal audit report will be issued.

We discussed the timetable for the completion of the 2023/2024 budget and agreed to issue this short report highlighting areas that Internal Audit suggests that the Town Council should consider when approving the Budget 2023/2024.

Financial Crisis and Budget Proposals 2023/2024

We recognise that the Council have coped well from the overall effect of the Covid pandemic, but the issues of maintaining Reserves and sustaining Revenue costs will now be a further challenge and influenced by the current financial and economic crisis.

We feel this is such an important hot topic for all Town and Parish Council we want to express our concern that if a Council does not react to this crisis positively by considering substantive percentage increases in the budget 2023/2024, it is likely to lead to added budget strain to maintain current levels of service and reserves.

Our opinion is that the increase in inflation, energy costs and other financial pressures will need to be factored into the Budget for 2023/2024.

The Society of Local Council Clerks, National Finance and VAT Adviser has written in the Clerk Magazine in November 2022 to advise Clerks they should prepare budgets for 2023/2024 that respond to these pressures by:

- recognising the increases that will be applied by contractors and suppliers to their prices for goods and services.
- making provision for large inflationary salary awards in 2023/2024 negotiated by the National Joint Council with the Unions.
- adding inflationary increases for Utility Costs for 2023/2024.
- negotiating with Utility Suppliers good rates for new contracts before the old contract period expires.

We also feel it is prudent to:

- carry out a benchmark exercise with other Large Town Councils to check what provisions are being made by them to offset inflationary pressures and the percentage rise in Precept they will apply.
- check with your Utility Supplier if the Council is eligible for the Government Energy Bill Relief Scheme.
- be aware that the Government may wish to financially cap Councils in future. *(Audit Note: With the current economic crisis there is a stronger possibility this measure could be introduced. Where Councils do not keep up with increases in Precept, if this measure was introduced, the impact could lead to budget shortfalls and cuts in service delivery).*
- air caution in its approach to providing applications for grant funding to organisations where there is no added value to the Town of Weymouth. Thus, putting the budget under strain for 2023/2024.

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The Town Council should evaluate:

- the level of Earmarked Reserves held by the Town Council which cannot be used support any shortfall in budget provision.

Conclusion

We urge the Town Council to consider the information supplied in this letter to ensure that the Budget provision for 2023/2024 will maintain the services of the Town Council at an acceptable level.

We believe the Town Council should be mindful of any reputational damage that would be caused by having to cut services if the budget for 2023/2024 cannot be sustained.

Recommendation

As is our advice across all of our clients, we would strongly recommend that the Town Council consider an inflationary budget increase for 2023/2024. This will ensure the delivery of services but also allow the continuation to make payments to Contactor and Suppliers without putting further strain on the Reserves of the Town Council.

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 recommendation we have made.

Tim Light FMAAT
Internal auditor