

Greg Burt  
Clerk to Billingshurst Parish Council

15 June 2023

Dear Greg

**Billingshurst Parish Council - Internal Audit 2022-23**

The internal audit of Billingshurst Parish Council for the 2022-23 financial year is now complete. I am pleased to be able to report that I have signed off the internal audit section of the Annual Governance and Accountability Return (AGAR) with one minor exception:

**Control Objective M – Inspection Periods**

**The external auditors raised an audit point in the 21-22 audit certificate stating that the inspection period was longer than the mandatory 30 days. The Council must follow the requirement of the internal auditor to mark assertion 4 on the annual governance statement as “NO” when completing the 22-23 annual governance statement.**

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 2022-23.

The audit was carried out in two stages. The interim audit was carried out on 24 November 2022, this concentrated on in year financial transactions and governance controls. The final audit was completed on 14 June and concentrated on the statement of accounts and transactions from the second half of the financial year.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

## **A - Appropriate books of account have been kept properly throughout the year**

### **Interim Audit**

The Council continues to use RBS, an industry specific accounting package. The RBS system is used to report and record the financial transactions of the Council. 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 confirmed the opening balances were correct. Box 7 on the 21-22 audited accounts stated £209,009. This has been agreed to the period 0 balance sheet on the RBS Omega Accounting system.

I have confirmed that the Council's VAT returns are up to date, with the most recent claim, for the quarter to 30 September 2022 submitted to HMRC on 11.11.21. This has been agreed to VAT figures produced by the RBS accounting system. The Council's VAT control account at 30.9.22 showed a balance of £5,984. This has been agreed to the VAT return.

The Clerk is the only officer with access to the Parish Council's Finance system.

### **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 2021-22 accounts, as published on the Council website.

The Council's year end VAT return has been completed, and VAT reclaimed can be agreed to a schedule of transactions extracted from the RBS accounting system. The VAT return was submitted to HRMC on 5 May, amount reclaimed was £10,725. I have checked the VAT receipt into the Council's bank account. I reviewed the VAT control account on the balance sheet. VAT due to the Council at 31.3.23 per the accounting system was £9,643. There is a difference between VAT reclaimed and VAT showing as owed to the Council on the RBS system of £1,082. Reasons for this should be reviewed with the assistance of RBS. Going forward, the VAT nominal account should be reconciled to the VAT claim at each VAT claim submission.

The Council reviewed my interim audit report at the 14 December 2022 meeting of Full Council. A response to the action plan is detailed in minutes.

I am satisfied that the Council met this control objective.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

**B - The Council's financial regulations have been met, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for**

**Interim Audit**

Financial Regulations and Standing Orders were reviewed and reapproved at Full Council in May 2022. Both documents are based on NALC templates, there have been no significant changes this year. Standing Orders published on the website should be updated to the May 2022 version.

The Council is still using cheques to pay suppliers, this is becoming increasingly untenable as banks close and supplier business bank accounts cease to accept cheques. I restate my previous recommendation that the Council should move to making payments by bank transfer as soon as possible.

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 8 higher value transactions at random from the cashbook for the first 7 months of the financial year and I was able to confirm for all transactions that:

- Transactions could be agreed back to invoice
- Payment approval in place, with evidence of councillor sign off on invoice or purchase order, in line with financial regulations
- VAT accounting correct
- Expenditure appropriate for the Council
- Where payment made by standing order of direct debit, I checked approval for the payment had been recorded in minutes of a council meeting

I note that the IT contract has not been retendered for a number of years. The Council should consider retendering this contract. I confirmed that the Grounds Maintenance contract has recently been retendered.

**Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £357,196, down from £529,202 in 21-22.

I tested a further sample of expenditure transactions selected at random from cashbooks for months 9-12 of the financial year. For all transactions sampled, I was able to confirm the following:

- Entry in cashbook agreed to invoice
- Expenditure appropriate for this council
- Evidence of sign off on cheque stub and invoice by 2 councillors
- Payment approved at Council meeting
- VAT correctly accounted for

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

The Council continues to demonstrate compliance with financial regulations when making payments to third parties.

**C - The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.**

**Interim Audit**

The Council has a risk management strategy in place and monitors and reviews risk on an ongoing basis. The Clerk has confirmed that this will be reviewed after Christmas, and will go before Full Council by the end of January 2023.

I checked the Council's insurance policy. The new policy commenced with Hiscox Insurance on 15 November 2022. I have confirmed the policy was in date at the time of my audit, with cover in place until the policy is cancelled. Asset cover appears consistent with the asset register. The Community Centre is insured for £3.47million. Fidelity cover is set at £250k, this may need to be reviewed as cash and bank balances at the Council and Charity will sometimes exceed this balance. Building revaluations were last carried out in 2018. I have suggested that this should be discussed with the insurer, to verify that the most recent revaluation is sufficiently recent to maintain full insurance cover.

The Council has a well-established process for backing up computer data, with backups held at remote locations. I have confirmed that the Council backs up computer data to a cloned server in the Community Centre, and to a cloud-based solution hosted by an external provider.

**Final Audit**

The Council completed the annual risk management review at the Full Council meeting in March 2023 (Minute 21/23), after review at the January F&GP committee. The risk management review is a comprehensive document, setting out the Council's approach to identifying and managing risk and controls in place to mitigate against these risks. There is evidence of update in year, and a minute records the Council's review. I am satisfied that the Council is meeting this control objective

I note that the Council revalued buildings for insurance purposes in December 2022. A reduction in insurance values has resulted from this. The risk assessment has been updated accordingly.

I am satisfied this control objective has been met.

**D - The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.**

## **Interim Audit**

The Council demonstrated that work is under way on the 2023-24 budget. A budget workshop was held in November, the draft budget will be considered in detail at the Finance and & General Purposes Committee in December, with final approval due at Full Council in early January. All precepting authority deadlines should be met.

Budget monitoring reports continue to be presented to meetings of the Finance and General Purposes Committee, and this is minuted. I reviewed the quarter 2 report, this was presented to F&GP in October. One overspend was identified, on the repairs and maintenance budget. This was discussed with the Clerk, and is funded from earmarked reserves.

There is scope to make budget monitoring reports more user friendly, Shorter budget v actual reports are available (RBS can assist), and a short narrative report setting out key messages from the management accounts would be useful.

## **Final Audit**

Reserves at 31 March 23 were £618,961 (21-22 £209,009)

Budget approval for 23-24 occurred at the Full Council meeting on 4 January 2023 – minute 8/23. A revenue budget of £607K was approved. Precept of £490,586 was approved at the same meeting. All precepting authority deadlines were met.

Reserves at 31 March 2022 were £618,961 (21-22 £209,009). General reserves at year end were £149K. This represents 33 % of precept, which is at the within suggested levels set out in the JPAG Practitioners' Guide. Earmarked reserves of £469K are held on the balance sheet. £420K is held in the Kingslea Farm Commuted Sums Reserve, with £30K held in CIL reserves. Remaining earmarked reserves are held for asset maintenance and future projects.

I am satisfied the Council is meeting the requirements of this control objective.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

**E - Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.**

**Interim Audit**

I tested a small sample of income transactions. I was able to agree credits on the cashbook back to third party documentation, such as remittance notices from district council, or invoice to support developer contributions to Jubilee events. I will test precept at year end..

**Final Audit**

Precept per box 2 to the accounts was £444,735 (21-22 £408,779) This has been agreed to third party documentation supplied by Central Government

Income per box 3 to the accounts was £613,820 (21-22 £222,931).

I reviewed the receipt of the £420,127 commuted sum for Kingslea Farm. I agreed the receipt from cashbook to bank and from there to the legal transfer document. The commuted sum has been set aside in a separate bank account and in an earmarked reserve on the balance sheet.

The Council received £15K from Sussex Council for Young People on 31.3.23 – this is payment of section 106 monies to repay the Council for works on 83a High Street.

**F - Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.**

The Council has a petty cash balance of £100 . This has not been counted this year. The petty cash should therefore be counted in the next 2 months, and all transactions recorded on the accounting system. Petty cash counted should then be reconciled to RBS. This process should be repeated annually.

**G- Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.**

**Interim and Final Audit**

Staff costs per box 4 to the accounts were £248,947 (21-22 £228,891). I have reviewed RBS reports and it appears that correct costs have been included within the staffing costs cell on the statement of accounts

Payroll is processed by West Sussex County Council. I tested the August 2022 payroll in detail. I was able to confirm the payroll posted to the general ledger back to the payroll summary produced by the payroll agency. I agreed pay for 3 officers back to individual payroll records and gross pay for 2 officers was agreed to the approved rate of pay recorded

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

in the Working Practices Committee meeting 18 May 2022. The rate of pay for the third officer was agreed to contract of employment.

I am satisfied that the Council has satisfactory controls over payroll.

**H - Asset and investments registers were complete and accurate and properly maintained.**

**Final Audit**

Fixed assets per box 9 to the accounts were £1,774,983 ( 21-22 £1,758,865).

I have agreed the balance in the accounts back to the asset register published on the Council website. The asset register appears complete and to record assets at cost or proxy cost, as required by regulations, with sufficient detail to locate all assets listed. Changes in asset register value year on year are supported by schedules of assets added and removed from the asset register, again at cost.

Fixed assets increased by £16K, this is mainly due to the addition of the bollard on Adversane Green ( £9.7K) and a beacon (£3.5K).

I am satisfied that the asset register can be reconciled to the fixed asset balance recorded in the accounts

**I – Periodic and year-end bank account reconciliations were properly carried out.**

**Interim Audit**

The Council holds 3 bank accounts. 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 2022 bank reconciliation was tested in detail. I confirmed the following.

- All balances on the bank reconciliation were agreed back to bank statements / cashbooks
- Cashbook /bank statement differences were explained by schedules of unpresented cheques / lodgments ( high value cheques tested to subsequent presentation at bank)
- Bank reconciliations were reported to a meeting of the Policy and Finance Committee, and this review was minuted.

The face of the bank statements and the bank reconciliations had been not yet been signed off by the reviewing councillor, this is due at next meeting.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

I note that the Council is aiming to move its current account to the Co-op Bank in the near future. I recommend that the investment policy should be reviewed in the next few months, and consideration given to moving cash to 3 and 6 month investment accounts to maximise returns, now that interest rates are becoming more attractive.

### **Final Audit**

Borrowings per box 10 to the accounts were £375,712 (21-22 £ 404,459) This has been agreed to the year-end PWLB loan statement published on the Debt Management Office website.

Cash per box 8 to the accounts was £608,056 (21-22 £197,542)

I reperformed the year end bank reconciliations. All balances on the bank reconciliation were agreed to the accounting system and bank statements. Unpresented cheques balance was agreed to a schedule of cheques on the reconciliation. The two largest cheques were tested, and confirmed to banking in April 2023. The bank reconciliation has been signed off as reviewed by a councillor, and this review evidenced on the bank reconciliation and bank statements.

The Clerk confirmed that the implementation of BACS payments is progressing. The Billingshurst Centre is now making payments by BACS and the Parish Council will complete this change to processes in early 23-24.

**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, were supported by an adequate audit trail from underlying records, and**  
**Final Audit**

Billingshurst PC 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, for external audit review, and creditor and debtor listings support this reconciliation. An explanation of year-on-year variances had not been prepared at the time of my audit, I am happy to review this document prior to submission to external audit. I am satisfied this control objective has been met.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP



**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**

As a larger Council, with income / expenditure in excess of £200K, Billingshurst is required to follow the 2015 Transparency Code. I was able to confirm that data required by the Code could be located at various pages on the Council website, and specifically confirmed that the following information was up to date

- Grants awarded – up to date, grants awarded in 22-23 are published on the website
- Payments over £500 –published to March 2023

I am satisfied this control objective has been met.

**M – Inspection Periods**

The external auditors have raised an audit point in the 21-22 audit certificate stating that the inspection period for 21-22 was 1 day longer than the mandatory 30 days. Whilst I consider this point to be rather petty, the Council must follow the requirement of the internal auditor to mark assertion 4 on the annual governance statement as “NO” when completing the 21-22 annual governance statement. This is the second year running that this error has been made, so care should be taken to avoid further issues in this area. I will therefore need to conclude that the Council has not met this control objective.

**N – Compliance with Publishing Requirements 21-22 Accounts**

The external audit opinion was dated 11 September 2022. A conclusion of audit announcement has been published on the Council website, signed by the Clerk, dated 21 September 22. The audit opinion was reported to Full Council on 3 November 2021. The Accounts and Governance Statements and Audit Opinion for 21-22 have been correctly published on the website.

**O- Trust funds (including charitable) The council met its responsibilities as a trustee.**

The Billingshurst Community and Conference Centre is a charitable trust of which the Parish Council is the sole managing trustee. The 21-22 accounts and annual return have been submitted to the Charity Commission, the Charity Commission website shows a submission date of 25 October 2022, well inside the regulatory deadline.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

---

# April Skies

## Accounting

---

Thanks for your assistance with the audit. I attach my invoice for your consideration together with the internal audit report from the AGAR. I look forward to working with you again next year.

Yours sincerely



Mike Platten CPFA

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

## Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response – Final Audit
The Council is still using cheques to pay suppliers, this is becoming increasingly untenable as banks close and supplier business bank accounts cease to accept cheques.	I restate my previous recommendation that the Council should move to making payments by bank transfer as soon as possible	<b>Move of Centre accounts online to COOP imminent - Council to follow.</b>
I note that the IT contract has not been retendered for a number of years.	The Council should consider retendering this contract	<b>To Action</b>
Fidelity cover is set at £250k	This may need to be reviewed as cash and bank balances at the Council and Charity will sometimes exceed this balance	<b>Already have cover for a limit of £650,000 which is shown as “Fraud &amp; Dishonesty” on schedule.</b>
Building revaluations were last carried out in 2018.	I have suggested that this should be discussed with the insurer, to verify that the most recent revaluation is sufficiently recent to maintain full insurance cover.	<b>Building Revaluations completed in Dec 2022</b>
There is scope to make budget monitoring reports more user friendly,	Shorter budget v actual reports are available (RBS can assist), and a short narrative report setting out key messages from the management accounts would be useful.	<b>RBS to be asked accordingly.</b>
Investment Policy	I recommend that the investment policy should be reviewed in the next few months, and consideration given to moving cash to 3 and 6 month investment accounts to maximise returns, now that interest rates are becoming more attractive.	<b>Will be looked at.</b>
Transparency data	- Grants awarded – nothing published later than 20-21	<b>Complete</b>

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

**Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP**

# April Skies

Accounting

	- this should be brought up to date	
The external auditors have raised an audit point in the 21-22 audit certificate stating that the inspection period for 21-22 was 1 day longer than the mandatory 30 days.	Whilst I consider this point to be rather petty, the Council must follow the requirement of the internal auditor to mark assertion 4 on the annual governance statement as "NO" when completing the 21-22 annual governance statement	<b>Noted</b>

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

## Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
There is a difference between VAT reclaimed and VAT showing as owed to the Council on the RBS system of £1,082	. Reasons for this should be reviewed with the assistance of RBS. Going forward, the VAT nominal account should be reconciled to the VAT claim at each VAT claim submission.	
The Council has a petty cash balance of £100 . This has not been counted this year.	The petty cash should therefore be counted in the next 2 months, and all transactions recorded on the accounting system. Petty cash counted should then be reconciled to RBS. This process should then be repeated annually.	

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

---

# April Skies

Accounting

---

 07958 990310

 [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP