

Greg Burt
Clerk to Billingshurst Parish Council

4 June 2024

Dear Greg

Billingshurst Parish Council - Internal Audit 2023-24

Final Audit Report

The internal audit for the 23-24 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) for with no comments.

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 23-24. Recommendations are set out at Appendix A. I set out a schedule of tests not completed at this audit at Appendix B, these tests are not relevant to this Council.

The audit was carried out in two stages. The interim audit was carried out on 30 November, this concentrated on in year financial transactions and governance controls. The final audit was carried out on 3 June and concentrated on the statement of accounts and balance sheet.

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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 22-23 audited accounts was £618,691. 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 2023 submitted to HMRC on 30.10.23. This has been agreed to VAT figures produced by the RBS accounting system. The Council's VAT control account at 30.9.23 showed a balance of £4,816. This has been agreed to the VAT return.

Final Audit

The accounting statements have been agreed back to year end reports produced from the RBS accounting system:

- Balance sheet
- RBS Annual Return Report
- Cash and bank reconciliation report

All comparatives reported in the financial statements have been agreed back to the audited 22-23 accounts, as published on the Council website.

I confirmed that the VAT return for period January to March 24 has been completed and submitted to HMRC. This has a submitted date stamp of 30 April. VAT of £10,091 was reclaimed. VAT reclaimed has been agreed to a schedule of transactions on the RBS VAT report for quarter 4 23-24.

My interim report was considered at the December Council meeting (minute 123/23)

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 2023- minutes 41/23 and 42/23. Both documents are based on NALC templates, there have been no significant changes this year. The Council is aware that a redraft of the

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model financial regulations is being worked on by NALC. This will need to be taken into consideration when the Council next reviews its own regulations.

The Council is still using cheques to pay suppliers, but is planning to phase these out in the next 2 to 3 months. The Council has set up a new bank account with Unity Bank and will be moving to making online payments from this account.

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 from the cashbook for the first 7 months of the financial year. I was able to confirm for all transactions that:

- Cashbook entry 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
- Payment approval correctly set out within minutes
- Councillor signatures viewed on cheque stubs

I have one recommendation. The Council last approved the schedule of Direct Debit and Standing Order payments at the Finance Committee in July 2022. These payments are due for review at a Council meeting.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £ 400,341, up from £357,196 in 22-23 .

I tested 5 further payments and repeated the tests set out at the interim audit. For all payments tested I was able to confirm that financial regulations had been followed.

The Council is moving the current account to Unity Bank and will be moving to online payments in the next few weeks. A panel of councillors is being set up to authorise payments, and payments will be set up at bank by an officer and authorised by 2 councillors.

The Council is proposing to review financial regulations once the new bank account has been set up, the recently published NALC template will be used.

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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 will review the risk assessment at my next audit. I have suggested that the Council may wish to complete a cyber risk assessment as part of risk processes going forward, with the assistance of the IT provider – this is no longer covered under the Council's general insurance policy.

I checked the Council's insurance policy. The policy with Hiscox Insurance was in date at the time of my audit, with cover in place until the policy is cancelled, start date of 15.11.23. Asset cover appears consistent with the asset register. 9 buildings are insured, with an insurance value of £5.2m. Asset insurance is set out below:

Item description	Excess	Amount Insured
Total Buildings	£250	£5,224,434
Gates and fences	£250	£12,536
Fixed outside equipment	£250	£14,172
Street furniture	£250	£146,631
War memorials	£250	£53,106
Playground equipment	£250	£456,984
Sports surfaces	£250	£0
Other surfaces	£250	£0
Rent receivable	£250	£10,800

Buildings were revalued in 2022 and this information has been shared with the insurer. Fidelity cover is set at £250k, this may need to be reviewed as cash and bank balances at the Council and Charity exceed this balance.

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. I recommend that the Council obtains annual confirmation from the ICT contractor that a test restore of backed up data has been successfully completed.

Final Audit

The corporate risk assessment was considered at the January 24 meeting of Full Council (minute 12/24) I have reviewed the risk assessment and it appears sufficient for a council of this size, there is evidence of review in year. The risk assessment is published on the Council website.

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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 2024-25 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, this is completed quarterly. I reviewed the quarter 2 report, this was presented to F&GP on 26 October. There are no material overspends that are not covered by earmarked reserves.

Final Audit

Reserves at 31 March 2024 were £598,365 (22-23 £618,961).

Earmarked reserves at 31.3.24 were £435K. The largest reserves are restricted reserves related to developer contributions or land transfers:

- £20K - CIL
- £400K - Commuted sum – Kingslea Farm

General reserves at year end were £162,210. This represents 33% of precept, which is at the lower mid-point of recommended levels set out in the NALC Practitioners' Guide. This is an appropriate level of reserve for a larger parish council with well developed earmarked reserves.

The budget and precept for 24-25 were reviewed and approved at the Full Council meeting on 10 January 2024 (minutes 8/24), after consideration at F&GP in December 2024. A precept of £513,010 was set. The budget was calculated using the budgeting module in the RBS accounting system. I confirmed the 24-25 budget is loaded into the accounting system, ready for budget monitoring in the new financial year. A balanced budget was set.

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 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 (CIL income) or recharge calculations for staff costs for Billingshurst Centre. I will test precept at year end.

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Final Audit

Precept per box 2 to the accounts was £490,586 (22-23 £444,735). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £180,881 (22-23 £613,280). I reviewed a small sample of income credits from the second half of the financial year. For transactions selected I was able to agree income back to invoice, and to bank,

I note one debt, for litter picking at a local shopping centre has not been settled by year end. It is recommended that the agreement for this work is revisited and the customer reminded that debts should be settled within 30 days from date of invoice.

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. It has been counted as part of the year end process, and reconciled to the accounting system

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 Audits

Staff costs per box 4 to the accounts were £249,802 (22-23 £248,947).

Payroll is processed by West Sussex County Council. I tested the payroll for February 2024 for three officers. I agreed the payment from the cashbook back to summary payroll report produced by WSCC. Gross pay was checked to rate of pay approved by Council (NJC salary scale or minimum wage) as set out in a pay award letter. My testing identified the following:

- The Council employs a number of long serving officers. I attempted to check gross pay back to contracts. This was not possible, as the contracts record old JNC pay scales, which no longer exist. It may be sensible to issue updated contracts to these officers
- The Clerk's annual pay award letter is not signed by a councillor. This should be signed by the Chairman.

At the final audit I confirmed that box 4 to the accounts only included costs relating to the employment of staff, as required by regulations - recharges from the Billingshurst Centre are excluded correctly from this cell on the accounting statements.

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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 (22-23 £1,774,983)

The figure in the accounts has been agreed to the fixed asset register. The asset register correctly accounts for all assets at cost. This follows accounting rules set out in the Practitioners' Guide.

I note that the Council has purchased a new van - the asset register needs to be increased to reflect this as the van as delivered before financial year. The Clerk confirmed that RBS will be contacted and the accounts amended.

Clerk confirmed that no disposals in year.

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

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 2023 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 unrepresented 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 Council has set up three fixed term deposits since my last visit. Bank reconciliation balances were agreed to confirmation of deposits, as bank statements are not issued for these accounts.

The face of the bank statements and the bank reconciliations had been signed off by the reviewing councillor.

The Council has an investment policy. This was reviewed at F&GP Committee in July 2023 (minute 78/23). There is clear evidence that the Council is acting to obtain reasonable rates of interest, whilst ensuring monies are secure, and cash flow is not impacted.

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Final Audit

Cash per box 8 to the accounts was £400,341 (22-23 £357,196)

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 the accounting system . The bank reconciliation was reviewed by a councillor at the April meeting, this has been evidenced on the face of the reconciliation

2 large unrepresented cheques tested – 20K payroll cashed in April – 90k warden payment not yet cashed by HDC.

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

Satisfactory – Accounts have been produced on the income and expenditure basis, this is appropriate as income and expenditure at the Council is below £200k. Box 7 to 8 reconciliation prepared alongside variance analysis – these are to be checked by external audit.

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 – published to end 23-24
- Payments over £500 – published to end of March 2024

M – Inspection Periods

Inspection periods for 22-23 accounts were set as follows

Inspection - Key date	22-23 Actual
Accounts approved at Full Council	21 June - Full Council
Date Inspection Notice Issued and how published	29 June – website and notice boards
Inspection period begins	3 July
Inspection period ends	11 August
Correct length	Yes

All regulatory requirements were met in this regard.

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N – Compliance with Publishing Requirements 22-23 Accounts

The Statement of Accounts, Annual Governance Statement and the external audit certificate are published on the Finance page on the website. The external audit certificate was clear, so there are no matters to take into consideration in the 23-24 accounts. The Conclusion of Audit certificate has been published on the website after the date of the audit certificate (21 September), and on the day of the regulatory deadline (30 September). The external audit certificate was reported to the meeting of Full Council in January

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 22-23 accounts and annual return have been submitted to the Charity Commission 17 January, before the statutory deadline. An independent examination has been completed.

I attach my invoice for your consideration together with the internal audit report from the AGAR. I would like to take this opportunity to thank you for your help with the audit. I look forward to working with you again next year, in the meantime please do not hesitate to contact me if I can be of any assistance.

Yours sincerely



Mike Platten CPFA

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Appendix A

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response – Final Audit
The Council last approved the schedule of Direct Debit and Standing Order payments at the Finance Committee in July 2022.	These payments are due for review at a Council meeting.	Jan 24 F&GP Committee
Fidelity cover is set at £250k	This may need to be reviewed as cash and bank balances at the Council and Charity exceed this balance.	Clerk to investigate
Back up – IT systems	I recommend that the Council obtains annual confirmation from the ICT contractor that a test restore of backed up data has been successfully been completed.	Clerk to investigate
CIL - annual report	I remind the Council that the 22-23 CIL Report needs to be published on the Council website by the 31 December.	actioned
Transparency	Contracts – the schedule on the website needs to be updated, it is from 2019.	actioned
Published 22-23 AGAR	There was an issue with the link on the website at my interim audit – I could not view the published 22-23 AGAR	actioned

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The Council employs a number of long serving officers. I attempted to check gross pay back to contracts. This was not possible, as the contracts record old JNC payscales, which no longer exist.	It may be sensible to issue updated contracts to these officers	
The Clerk’s annual pay award letter is not signed by a councillor.	This should be signed by the Chairman.	
I note that the Council has purchased a new van - the asset register needs to be increased to reflect this as the van as delivered before financial year	The Clerk confirmed that RBS will be contacted and the accounts amended	

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Appendix B

Internal Audit Control Objectives – Marked as not covered

Control Objective	Area for Audit	Why this has not been audited
K	Exemption from limited assurance review	Council had limited assurance review in 22-23

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