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Greg Burt

Clerk to Billingshurst Parish Council

Billingshurst Centre

Roman Way

Billingshurst

West Sussex RH14 9QW

21 April 2021

Dear Greg

**Billingshurst Parish Council - Internal Audit 2020-21**

The internal audit of Billingshurst Parish 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 4 December 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 16 April 2021 and concentrated on the statement of accounts and balance sheet.

I would like to thank Greg for his assistance with the audit, and diligence in ensuring the Council has maintained robust financial controls throughout this difficult time.

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

**Interim Audit**

The Council continues to use the RBS accounting system, an industry specific accounting solution well suited to this Council. This is the third year the Council has used RBS and the system is now well bedded in. I was able to confirm that:

- Supporting documentation could be located using referencing on RBS
- All reconciliations tested are working well
- Council is making use of the reporting available in RBS to improve financial reports available to councillors.

The Council had not yet received the external audit certificate for 2019-20 at the time of my audit. I will therefore check opening balances and proper publication of audit reports at my final audit.

I reviewed the Council's VAT records and checked that the VAT return had been submitted to HMRC for the period to 30 September 2020, and that the VAT reclaimed could be agreed to a schedule of transactions recorded on RBS.

**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.

Arithmetic within the draft accounts was checked and found to be correct.

I confirmed that the year-end VAT return has been completed. This was submitted to HMRC on 9 April 2021. VAT due per the balance sheet at 31.3.21 was £19,763. This is due to VAT being owed for quarters 1 and 3. This should be chased up as a matter of urgency as these VAT refunds should have been processed by HMRC by now.

The Council reviewed my interim audit report at the December 2020 meeting of F&GP Committee, and appropriate minute was recorded. The External audit certificate was reported to the Full Council meeting on March 3<sup>rd</sup> 2021.

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

**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 last reviewed in 2019-20. There have been no significant changes since the last review, so this is acceptable

The Council approves expenditure via the annual budget process. Each month, the Council records the future expenditure to be made in the minutes of a council meeting, supported by a detailed list of payments. 2 councillor signatures are then required on the physical payment. This is a strong system, compliant with financial regulations. The Council made no change to payment processes during lockdown – Councillors came into the office to sign cheques and invoices, in line with financial regulations.

I tested a sample of expenditure transactions and was able to confirm the following for all transactions sampled:

- Cashbook entry could be agreed back to an invoice from the supplier
- VAT accounting correct
- Signature of two councillors was viewed on each invoice tested.
- Payment noted in minutes of Finance and General Purposes Committee

I note that the Council still intends to move to online banking once this has been trialed for payments made by the Billingshurst Centre. This has been held up by the Covid emergency, but I would urge the Council to move to electronic banking as soon as possible.

The Council is compliant with the 2015 Transparency Code, with information published on the Finance page on the website. I checked the following:

- Expenditure information was up to date at the time of the audit
- The grants page on the financial information had not been updated since last financial year
- Contract summary has not been updated since July 2019

**Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £338,353, down from £691,515 in 2019-20. Reduction due to purchase of high street property in previous financial year.

As a larger Council, with income / expenditure in excess of £200K, Billingshurst is required to follow the 2015 Transparency Code. The Council meets this code by publishing financial data on the finance page on the website. I sample checked data reported on this webpage. I am satisfied that the Council is largely compliant with requirements of the Code.

- Grant information published is for 20-21 financial year

- Expenditure over £500 updated to March 2021

I selected a further sample of transactions from cashbook for the last 3 months of the financial year. For all transactions tested I was able to confirm that:

- Transactions could be agreed back to invoice
- Payment approved at a meeting of the Council
- VAT accounted for appropriately.
- Payment signed off on face of invoice by 2 councillors
- Cheque stub initialled by 2 councillors
- Payment reported to a meeting of Council and recorded in minutes

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

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

**Interim Audit**

I have confirmed that the Council has a comprehensive risk management process in place which results in a formal risk assessment that is approved at the January Full Council meeting. I will review the risk assessment at my year end visit. I note that the Council has completed a Covid risk assessment, which was presented to Council in November.

The Council is insured by BHIB, on a standard local council policy. I reviewed the insurance certificate and confirmed it is in date with an expiry date of October 2021. I note that the policy is a joint policy, which also covers the Billingshurst Community and Conference Centre. I have reviewed the policy and it appears that asset coverage is adequate.

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. The Clerk confirmed back up has been tested, and that homeworking during lockdown has ensured that back up arrangements operate as expected.

**Final Audit**

The Council risk assessment has been subject to further review in 2020-21. Council approval of the risk assessment was confirmed in a minute of F & GP in January 2021, and subsequently reviewed at Full Council on March 3 2021. I confirmed an appropriate minute was recorded.

I am satisfied that the Council met this control objective

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

### **Interim Audit**

I have confirmed with the Clerk that budget preparation for 2020-21 is well underway. A budget workshop was held on 12 November in order to prepare the first iteration of the budget for Council review. Budget will be taken to the December Finance and General Purpose Committee (F&GP), with precept and budget approval planned for the 6 January meeting of Full Council.

The F&GP Committee are due to receive a budget monitoring report at their meeting on 16 December. This is the first time a budget monitoring report has been presented to councillors this financial year. This is not in line with the requirements of the Financial Regulations, which state

“The RFO shall regularly provide the council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show explanations of material variances. For this purpose “material” shall be in excess of [£100] or [15%] of the budget”

Budget monitoring reports must therefore be presented to councillors every quarter, with a narrative report showing explanations of all variances from budget.

The Clerk has identified additional costs arising from Covid, this was reported to members in November, and costs are not considered material. The pandemic has had minimal impact on Council income, as hall hire income is included in the accounts of Billingshurst Centre, not covered by this audit.

### **Final Audit**

Reserves at 31 March 2021 were £377,312 (2019-20 £394,288 RESTATED).

General reserves at year end were £82K, which represents 22% of precept. This is a little low, the NALC Practitioners Guide suggests general reserves should not fall below 25 % of net revenue expenditure. Whilst the Council has well developed earmarked reserves, these are in the main held to support assets and capital expenditure, The Council should look to increase general reserves in the medium term.

I have confirmed by review of minutes that the Council approved the budget for 21-22 at the January meeting of Full Council. The precept for the next financial year was also approved at this meeting.

I am content this control objective has been met.

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

**Final Audit**

Precept per box 2 to the accounts was £373,525 (2019-20 £352,463). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £194,270 (2019-20 £545,826). The decrease is due to PWLB loan receipt in previous financial year.

I tested a sample of income transactions from the grants nominal ledger code amounting to £94K. For all credit entries to the cashbook I was able to confirm valued of credit back to remittance advice note from the District or County Council

I am content that this control objective has been met.

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

Petty cash balance is £100, Clerk confirms this is counted on a periodic basis and reconciled to receipts.

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

**Interim Audit**

Payroll is processed by West Sussex County Council. I selected a sample of payroll transactions for August 2020 payroll recorded in the General ledger. For 3 staff members I tested that:

- general ledger could be agreed back to payroll documentation from WSCC
- rate of pay for staff correct – Gross pay per the WSCC payroll report was checked back to salaries approved by staffing committee,.

I am satisfied that this control objective has been met .

**Final Audit**

Staff costs per box 4 to the accounts were £215,051 ( 2019-20 £201,484 RESTATED).

I reviewed transactions posted to the relevant nominal account for staff costs for 20-21, and noted that this included an entry for payment of £17044 relating to the January 2020 payroll. This accrual was missed from the 19-20 accounts. Given the value of the accrual, I recommended that the Clerk should amend the accounts to ensure this transaction is posted to the correct year of account. This requires box 4 and 7 of the comparative 19-20 accounts to be restated, and reduced staff costs in box 4 for 20-21 to be reduced to the correct level. The Clerk arranged for this to be processed by RBS.

19-20 Comparative balances for box 4 and 7 on the accounts must be marked as "RESTATED" when the AGAR is filled in.

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

**Final Audit**

Fixed assets per box 9 to the accounts were £ 1,779,179 ( 2019-20 £1,778,620) 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. No detailed testing carried out this year due to the small change year on year. My review of the cashbook has not identified any asset purchases in 2020-21.

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. I confirmed that reconciliations are completed monthly for all accounts. My review of minutes confirmed that bank reconciliations are reported in full to each meeting of the Finance and General Purposes Committee. I reformed the bank reconciliations for September 2020 for all 3 bank accounts and in all cases I found that the bank reconciliations had been properly prepared and were supported by bank statements and cashbooks. I agreed a sample of unrepresented cheques to subsequent presentation at bank. Evidence of councillor review on both bank statement and bank reconciliation was visible.

There are 2 balancing accounting entries on the bank reconciliation for the Bonus Saver Account – these should be cleared before year end.

I wish to re raise one recommendation from last audit. All Council cash is currently held with one bank. I understand this is under review at present, but the Council should consider diversifying risk by holding monies in more than one financial institution. I understand from the Clerk that this is currently under review.

I am satisfied that this control objective has been met .

**Final Audit**

Cash per box 8 to the accounts was £355,127 (2019-20 £269,275)

I reformed 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.

There were £111K unpresented cheques on the main account. I could not test these to presentation at bank at the time of my audit as the bank statements for April had not been produced.

The Council is still using cheques. I understand that plans to move to online banking have stalled this year due to the pandemic and lack of assistance from the bank. However, this must be moved forward in 21-22, cheques are increasingly outdated, and many suppliers will no longer accept payment by cheque.

Loans outstanding at year end per box 10 to the accounts were £432,056 (2019-20 £458,553). 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 - 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**

Billingshurst 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 - this needs to be converted to the format required by the external auditors.

An explanation of year on year variances has been prepared at the time of my audit. This needs to provide detailed explanations for review by external audit, there are significant changes within the year on year analysis that will be reviewed by external audit.

I am satisfied this control objective has been met.

**M – Inspection Periods**

**Interim Audit**

Inspection periods for 2019-20 accounts were set as follows

<b>Inspection - Key date</b>	<b>2019-20 Actual</b>
Accounts approved at Full Council	17 June 2020 Full Council
Date Inspection Notice Issued and how published	24 June
Inspection period begins	25 June
Inspection period ends	6 August
Correct length	Yes



### **N – Compliance with Publishing Requirements 19-20 Accounts**

The Council has now received the 19-20 external audit report. A clear opinion was reported, with 2 matters raised in the matters arising section of the report:

- Reference to a prior year adjustment correctly posted
- Omission of council website on the AGAR

There are no matters to take into consideration in the 20-21 accounts.

However, I should note that the external audit certificate was not signed off until 2 February 2021, so the statutory deadline for publishing the audited accounts was missed. I must therefore report that the Council has not met control objective N – compliance with publication requirements 2019-20 accounts. Late external audit signature we believe was due to a resident query that the external auditors were obliged to examine.

The external audit report was reviewed at the March 2021 Full Council and an appropriate minute recorded.

### **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 accounts were uploaded to the Charity Commission website on 3 December 2020, before the regulatory deadline.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Platten'.

Mike Platten CPFA

**Points Forward – Action Plan - Interim Audit**

<b>Matter Arising</b>	<b>Recommendation</b>	<b>Council Response – Final Audit</b>
<p>The grants page on the financial information had not been updated since last financial year</p> <p>Contract summary has not been updated since July 2019</p>	<p>Transparency code information should be brought up to date</p>	<p><b>Implemented for final audit</b></p>
<p>There are 2 balancing accounting entries on the bank reconciliation for the Bonus Saver Account</p>	<p>These should be cleared before year end.</p>	<p><b>Not yet done, internal audit have asked the clerk to clear this before the accounts are submitted to external audit</b></p>
<p>All Council cash is currently held with one bank.</p>	<p>consider diversifying risk by holding monies in more than one financial institution. I understand from the Clerk that this is currently under review.</p>	<p><b>Not Actioned – re raised at final audit</b></p>
<p>The F&amp;GP Committee are due to receive a budget monitoring report at their meeting on 16 December. This is the first time a budget monitoring report has been presented to councillors this financial year. This is not in line with the requirements of the Financial Regulations</p>	<p>Budget monitoring reports must therefore be presented to councillors every quarter, with a narrative report showing explanations of all variances from budget.</p>	<p><b>Noted and actioned</b></p>



**Points Forward – Action Plan - Final Audit**

<b>Matter Arising</b>	<b>Recommendation</b>	<b>Council Response – Final Audit</b>
<p>VAT due per the balance sheet at 31.3.21 was £19,763. This is due to VAT being owed for quarters 1 and 3.</p>	<p>This should be chased up as a matter of urgency as these VAT refunds should have been processed by HMRC by now.</p>	
<p>All Council cash is currently held with one bank.</p>	<p>consider diversifying risk by holding monies in more than one financial institution. I understand from the Clerk that this is currently under review.</p>	
<p>General reserves at year end were £82K, which represents 22% of precept. This is a little low, the NALC Practitioners Guide suggests general reserves should not fall below 25 % of net revenue expenditure.</p>	<p>Whilst the Council has well developed earmarked reserves, these are in the main held to support assets and capital expenditure, The council should look to increase general reserves in the medium term.</p>	
<p>Missed accrual of £17044 relating to the January 2020 payroll. This accrual was missed from the 19-20 accounts. The clerk arranged for this to be processed by RBS</p>	<p>Given the value of the accrual, I recommended that the clerk should amend the accounts to ensure this transaction is posted to the correct year of account. This requires box 4 and 7 of the comparative 19-20 accounts to be restated, and reduced staff costs in box 4 for 20-21 to be reduced to the correct level.</p>	
<p>The Council is still using cheques. I understand that plans to move to online banking have stalled this year due to the pandemic and lack of assistance from the bank.</p>	<p>However, this must be moved forward in 21-22, cheques are increasingly outdated, and many suppliers will no longer accept payment by cheque.</p>	
<p>the external audit certificate was not signed off until 2 February 2021, so the statutory deadline</p>	<p>Late external audit signature we believe was due to an resident query that the</p>	

<p>for publishing the audited accounts was missed. I must therefore report that the Council has not met control objective N – compliance with publication requirements 2019-20 accounts.</p>	<p>external auditors were obliged to examine.</p>	
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# Annual Internal Audit Report 2020/21

## BILLINGSHURST PARISH COUNCIL

<http://www.billingshurst.gov.uk/>

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority 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; progress 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 this 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 bank account reconciliations were properly carried out during the year.	✓		
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. If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")			✓
L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.			✓
M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2019/20 AGAR (see AGAR Page 1 Guidance Notes).		✓	
<b>O. (For local councils only)</b> Trust funds (including charitable) ~ The council met its responsibilities as a trustee.	Yes ✓	No	Not applicable

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

04/11/2020 21/04/2021

Name of person who carried out the internal audit

M PLATTEN CPFA

Signature of person who carried out the internal audit

*M. Platten*

Date

21/04/2021

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed)

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).