

Greg Burt
Clerk to Billingshurst Parish Council

29 November 2022

Dear Greg

Billingshurst Parish Council - Internal Audit 2022-23

Following the interim audit completed on 24 November, I attach my report for consideration by the Council. This was the first of two audits I intend to carry out to support my opinion on the 22-23 Annual Governance and Accountability Return (AGAR). I covered the following at this visit:

- Review of opening balances and reporting of 21-22 audit opinion
- Follow up previous recommendations
- Testing of expenditure first 6 months of financial year
- Testing of income – first 6 months of financial year
- Risk management and insurance
- Salaries and wages
- Budget monitoring reports
- Arrangements for inspection of accounts
- Bank reconciliations.

I am pleased to report that overall Council has successfully maintained a strong system of financial control. I have recommendations to raise, these are at Appendix A.

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. The internal audit reports should therefore be made available to all members to support and inform them when they are considering the Authority's approval of the annual governance statement. I am required by Section 4 of 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 testing carried out at the interim audit.

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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 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.

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

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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.

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.

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.

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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.

I am satisfied the Council is meeting this control objective.

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

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..

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 – I will check the count at year end.

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

Interim

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 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.

Year-end test

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.

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- 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 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.

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.

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

Year end test

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 – nothing published later than 20-21 - this should be brought up to date
- Payments over £500 – published to end of October 2022

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.

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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.

Thanks for your assistance with the audit. I attach my invoice for your consideration, and I will be in touch in February to make plans for the final audit.

Yours sincerely



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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	
I note that the IT contract has not been retendered for a number of years.	The Council should consider retendering this contract	
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.	
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.	
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.	
Transparency data	<ul style="list-style-type: none"> - Grants awarded – nothing published later than 20-21 - this should be brought up to date 	

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Accounting

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