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Marie Singleton

Clerk to Aldingbourne Parish Council

27 June 2022

Dear Marie

Aldingbourne Parish Council - Internal Audit 2021-22

The internal audit of Aldingbourne Parish Council for the 2021-22 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 2021-22, with qualification against one control objective:

Control Objective N: The Authority has complied with the publication requirements for 20/21 AGAR.

The audit has not yet been completed, so statutory deadlines were not met.

This is a marked improvement on my 20-21 audit, when I provided a qualified opinion against 8 control objectives.

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 2021-22.

The audit was carried out in two stages. The interim audit was carried out on 1 February 2022, this concentrated on in year financial transactions and governance controls. The final audit completed on 16 June 2022 and concentrated on the statement of accounts and balance sheet.

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

Interim Audit

The Council has made progress since my last report to bring the books of account up to date. The RBS accounting system is now fully installed. A locum RFO has been in post for the past 6 months and the accounting records have been brought up to date to 31st December 2021.

The Council bank account has been reconciled to the accounting system as at 31.12.21, which is an improvement on the position at the final accounts audit last June. Missing bank statements have been located, and appropriate access to the Council's bank account records has been put in place to ensure that the access issues experienced in 20-21 are not repeated.

I reviewed VAT records on the Council's accounting system. A draft VAT return has been prepared for the period to 31.12.21, this appears complete. No VAT has been submitted to HMRC, and the interim RFO is intending to submit a full year VAT return as part of year end closedown procedures. This appears sensible, and the VAT return for 21-22 should therefore be submitted in May of this year. Going forward, I recommend that VAT returns are submitted at least twice a year.

The new Clerk should be given access to the RBS system as a matter of urgency, and appropriate training arranged. This will require a second licence to be purchased. The Clerk should be in a position to run financial reports when information is required. I also understand that the Council is working to arrange access for the Clerk to the payments function on the Council bank account, to enable payments to be made by BACS.

The 19-20 and 20-21 external audits have not been completed by Moore, the external auditors. I cannot at present confirm that the opening balances on the accounting system are correct. I explore this further in section N of this report, this matter should be resolved before year end. A statement should be prepared by the RFO reconciling the opening balance sheet on the accounting system at 1.4.22 back to 19-20 and 20-21 audited accounting statements.

The Council is in a much stronger position now this remedial work has been completed. It is key that financial management now moves to the next stage of monthly posting, reconciliation, and reporting.

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 unaudited 2020-21 accounts, as published on the Council website.

The external audits for 2018-19 and 2019-20 have now been concluded, queries are still outstanding on the 20-21 audit. As the external audit for 20-21 has not been concluded, I

am still not able to confirm the accuracy of the opening balances on the 21-22 accounting statements. This audit must be concluded as a matter of urgency.

The Council's year end VAT return has been completed, but had not yet been submitted to HMRC at the time of my audit. This should be actioned as soon as possible

The Council reviewed my interim audit report at the January 2022 meeting of Full Council. The recommendations raised were noted and an action plan agreed

I am satisfied that the Council met this control objective. Significant improvements have been made since my 20-21 report.

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

Standing Orders and Financial Regulations and have been reviewed and were updated at the Full Council meeting of May 2021. These are based around NALC templates. Further updates to the Financial Regulations were made in November 2021 to reflect changes to payment authority levels and to introduce procedures for the Council's credit card. Updates will also be made once online banking has been arranged with the Council's bankers.

I selected a sample of 5 transactions from the cashbook amounting to £17.5K. For all transactions I attempted to confirm the following for all transactions:

- Payment agreed to invoice, or resolution to make grant award in Full Council minute
- cheque signed off by 2 councillors
- Payment on invoice agreed to bank
- Payment approval noted in minutes of council meeting,
- VAT accounting correct
- Expenditure appropriate for the Council

The test was successful bar one omission;

- I was unable to locate a resolution in minutes to make a payment to the Community Land Trust of £5,000. I am therefore unable to confirm that this was properly approved by Council. The Clerk should ensure that approval to make all grant payments is recorded in minutes.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £50,942, up from £28,888 in 2020-21.

No further testing of expenditure was carried out at the final audit, sufficient work was completed at the interim audit. Retrospective approval of the Community Land Trust Grant

has not yet been actioned, the Clerk has confirmed this will be taken to the next meeting of Full Council.

However, I have sufficient evidence to confirm that the Council met 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

The Council is insured with Zurich Municipal on a standard local council package, I have checked indemnity cover / asset insurance and money cover and in my opinion, cover is appropriate for this small council. The policy was in date at time of audit, with an expiry date of May 2022. Asset cover appeared generally satisfactory with coverage consistent with the asset register. ACSC are responsible for insuring the Community Centre, the building is not covered by the Parish Council insurance. I recommend that the Clerk obtains a copy of the ACSC insurance document each year and checks that coverage is adequate.

The council risk register will be considered at considered at the Finance Committee meeting on 15 February 2022. I have reminded the Clerk that the risk assessment should be presented to a meeting of Full Council before the end of the financial year.

All computer data is backed up on by the Council's IT contractor, JNR Computer Services . The Clerk has email confirmation of a successful back up test completed in January 2022. All data is held on a OneDrive system which backs up to the Cloud. This is sufficient for this Council, I recommend that RBS Alpha data is backed up at least weekly to this cloud location.

I am satisfied that the council met this control objective.

Final Audit

The Council completed the annual risk management review at the Full Council meeting on 1 March 2022 – minute 983e. 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.

The Council has not been able to obtain a copy of the insurance policy from ACSC, despite repeated requests. The Council must assess the risk of this key Council asset being uninsured, and should purchase insurance if ACSC fails to provide evidence of insurance cover . This risk should also be added to the Council risk register.

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

Precept and budget for 2022-23 were agreed at the December 2021 Full Council meeting. A precept of £146,979 was approved and a minute records this. The budget for 2022-23, contained within the Council's Business Plan was also approved at this meeting. This budget should now be loaded on to the RBS system, in preparation for budget monitoring.

The Clerk has explained that a detailed review of reserve balances is under review, and due to be discussed at the Finance Committee meeting in February. I will therefore review reserves at my final accounts audit. However, I recommend that reserves are set up on balance sheet on RBS once decision have been made by the Council.

The Clerk has confirmed that financial reporting should be commencing at the next Finance Committee meeting, in February 2022. I recommend that a finance reporting pack is produced for monthly Finance Committee / Full Council meetings going forward. This should include as a minimum

- Budget v Actual report
- Balance Sheet
- Cashbook for the month
- Bank reconciliation, including bank statements, ready for review and sign off by a reviewing councillor.

Final Audit

Reserves at 31 March 2022 were £271,369 (2020-21 £206,549).

General reserves at year end were £71K, which is 52% of precept. This is in line with guidance set out in the NALC publication Governance and Accountability. There is a single earmarked reserve of £200K, set aside for future expenditure on the Community Centre. This was approved at the Finance Committee meeting on 26 April 2022.

I note that the Council has received CIL monies which have not yet been spent. A further review of reserves is therefore required, to ensure that CIL monies are set aside in a specific earmarked reserve.

The Clerk provided evidence that budget monitoring reports have been presented to the Finance Committee and Full Council since October 2021. I note that these reports are currently produced on an excel spreadsheet. Going forward, the Clerk should make use of the budget monitoring reports available in the RBS system to produce budget monitoring reports for Council.

I am satisfied that the Council met this control objective.

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 £135,598 (20-21 £135,598). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £15,392 (20-21 £525).

I tested 3 transactions with a value of £15,354. These were agreed to remittance advice notifications from the district council, or a VAT claim form.

I am satisfied that this control objective was met.

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

No petty cash

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

Staff costs per box 4 to the accounts were £34,773 (20-21 £30,061). I confirmed by review of the nominal ledger that box 2 only includes costs relating to employees, as required by regulations I selected 3 transactions coded to the nominal ledger code 4000 – staff salary

- Payment to locum clerk made on 30.4.21. agreed to invoice and record of time worked
- Final payment to previous clerk made on 8.7.21 – I agreed to payslip and final salary calculation
- Salary payment to current clerk – Payment agreed to payslip and from here gross pay was agreed to contract. I am satisfied that this payment is correct.

I have no recommendations to raise in this area.

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

Final Audit

Fixed assets per box 9 to the accounts were £ 87,345 (20-21 £66,872)

I have been able to agree the balance in the accounting statements to the Council's asset register. I have not been able to confirm accounting balances to council records, these are historic and as reported at my 20-21 audit, record keeping of fixed assets was not adequate in previous years. Fixed assets have increased by £20,473 in 21-22. This is due to a number of assets being added to the asset register that were missed in previous years. I have the following recommendations:

- Fixed assets may be subject to review by external audit. The RFO should ensure a working paper is prepared to show how the fixed asset balance has changed in 21-22 before he finishes his work with the Council
- Fixed asset balances as stated at 31.3.22 should be confirmed as proxy / historic costs at a meeting of Full Council. This will confirm asset values, in the absence of supporting cost documentation
- The Council should add the RBS Fixed Asset Module to the accounting package, and the fixed asset register transferred on to the accounting system.

However, I am able to sign off that the Council has met this control objective.

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

Interim Audit

The council has 2 bank accounts , the current account and a rarely used deposit account, both with Barclays bank. The bank reconciliation has now been brought up to date and a bank reconciliation prepared as at 31.12.21. I re-performed the bank reconciliations, and I tested the following.

- Confirmed balances back to bank statements
- Checked arithmetic
- Confirmed cashbook balance to the Council's RBS Omega accounting system

The bank reconciliations have not been produced before December due to issues documented in this report. The Council is now in a position to operate an effective bank reconciliation process. I therefore recommend that bank reconciliations should be produced with 14 days of each month end. The reconciliation should be prepared by the Clerk and review of the reconciliation and bank statement should be completed by the Chair of Finance Committee, before reporting to the next Council meeting.

I will retest the bank reconciliation at my year end audit – I would anticipate a system of prompt reconciliation and councillor review should be in place by this time.

Final Audit

Cash per box 8 to the accounts was £271,369 (20-21 £206,549) I re-performed the year end bank reconciliations for 31 March 2022. I was able to agree all balances in the bank reconciliation to the RBS bank reports and to bank statements. The year-end reconciliation has been reviewed by the Chairman and the review evidenced. I tested 3 higher value unpresented cheques to presentation at bank in the new financial year

Loans per box 10 to the accounts were £2,298 (20-21 £2,562) This has been agreed to year end reporting on the PWLB website.

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 where appropriate debtors and creditors were properly recorded.

Satisfactory – Accounts have been produced on a receipts and payments basis, this is appropriate as income and expenditure at the Council is below £200k.

An explanation of year-on-year variances is being prepared by the interim RFO, I have not reviewed this document

I am satisfied this control objective has been met.

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

The requirements of the Transparency Code 2015 do not apply to APC, as gross income and expenditure is below £200K. This test is therefore not applicable at this Council and the internal audit report will be marked as not covered.

M - Arrangements for Inspection of Accounts

Interim Audit

Inspection periods for 2020-21 accounts were set as follows

Inspection - Key date	2020-21 Actual
Accounts approved at Full Council	29 June Full Council
Date Inspection Notice Issued and how published	30 June
Inspection period begins	1 July
Inspection period ends	11 August
Correct length	Yes

All regulatory requirements were met in this regard. The link to this document on the Council website no longer works, this should be investigated and the document republished on the website.

N: Publication requirements 20/21 AGAR

Interim Audit

The Council has not met this control objective. The Council has not yet received the external audit certification for the 2019-20 and 2020-21 statements of accounts from the external auditors. This position must be resolved as a matter of urgency and external audit conclusions published on the Council website, as required by regulations. I have suggested that the locum RFO should contact the auditors, state what information is available or

missing in response to outstanding questions, and press the auditors to bring both outstanding audits to a conclusion.

Final Audit Update

2018-19 and 2019-20 audits have been completed. Conclusion of audit certificates should now be completed and the audited accounts published on the website and on notice boards, as required by regulations.

2020-21 audit has not yet been completed, queries from the auditors are still outstanding. This must be finalised as a matter of urgency .

I cannot conclude that this control objective has been met

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

Interim Audit

The Council is the sole trustee of Westergate Recreation Ground, according to the Charity Commission website. No annual return has been submitted for the past 5 years, so I must continue to conclude that the Council has not met the requirements of this control objective. However I can report that progress has been made in this area. Access to the Charity's bank accounts is now in place, and the Council can now log on to the Charity Commission website once annual returns have been prepared. I therefore recommend that the Council should complete the missing annual returns and submit them to the Charity Commission as soon as possible.

Final Audit

The Council has brought charity commission reporting up to date. Annual returns for the past 5 years have now been submitted to the Commission, the 21-22 return was submitted in May 2022. The Charity is held as a separate company on RBS, and separate meetings are held.

This control objective has been met.

I attach my invoice and the internal audit report from the AGAR. I would like to thank you and Andy for your help with the audit and I look forward to working with you in the future.

Please do not hesitate to contact me if you have any questions at all.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Platt', written in a cursive style.

Mike Platten CPFA

Appendix A – Recommendations – interim audit, with responses

Matter Arising	Recommendation	Council Response
The interim RFO is intending to submit a full year VAT return as part of year end closedown procedures.	This appears sensible, and the VAT return for 21-22 should therefore be submitted in May of this year. Going forward, I recommend that VAT returns are submitted at least twice a year.	Return completed but not submitted at year end.
The 19-20 and 20-21 external audits have not been completed by Moore, the external auditors. I cannot at present confirm that the opening balances on the accounting system are correct.	A statement should be prepared by the RFO reconciling the opening balance sheet on the accounting system at 1.4. 22 back to 19-20 and 20-21 audited accounting statements.	20-21 still outstanding, queries now issued by Moore
I was unable to locate a resolution in minutes to make a payment to the Community Land Trust of £5,000. I am therefore unable to confirm that this was properly approved by Council.	The Clerk should ensure that approval to make all grant payments is recorded in minutes.	Still outstanding
ACSC are responsible for insuring the Community Centre, the building is not covered by the Parish Council insurance	I recommend that the Clerk obtains a copy of the ACSC insurance document each year and checks that coverage is adequate.	Still outstanding
The council risk register will be considered at considered at the Finance Committee meeting on 15 February 2022.	I have reminded the Clerk that the risk assessment should be presented to a meeting of Full Council before the end of the financial year.	Considered at Full Council, March 22
The Clerk has explained that a detailed review of	I recommend that reserves are set up on balance sheet on	Reviewed at Finance Committee in May

reserve balances is under review, and due to be discussed at the Finance Committee meeting in February.	RBS once decisions have been made by the Council.	
The Clerk has confirmed that financial reporting should be commencing at the next Finance Committee meeting, in February 2022.	I recommend that a finance reporting pack is produced for monthly Finance Committee / Full Council meetings going forward.	Evidence provided of budget monitoring reports to Council
Fixed asset valuations , should be at cost or proxy cost	I recommend that the RFO reviews the asset register and ensures that asset values are calculated at a value compliant with directions set out in “Governance and Accountability”	Further recommendation at year end
The bank reconciliations have not been produced before December due to issues documented in this report. The Council is now in a position to operate an effective bank reconciliation process.	I recommend that bank reconciliations should be produced with 14 days of each month end. The reconciliation should be prepared by the Clerk and review of the reconciliation and bank statement should be completed by the Chair of Finance Committee, before reporting to the next Council meeting.	Up to date at 31.3.22
Charity Commission submissions	I recommend that the Council should complete the missing annual returns and submit them to the Charity Commission as soon as possible.	Up to date at final audit

Appendix B – Recommendations – Final Audit

Matter Arising	Recommendation	Council Response
The Council's year end VAT return has been completed, but had not yet been submitted to HMRC at the time of my audit.	This should be actioned as soon as possible	
As the external audit for 20-21 has not been concluded, I am still not able to confirm the accuracy of the opening balances on the 21-22 accounting statements.	This audit must be concluded as a matter of urgency.	
Retrospective approval of the Community Land Trust Grant has not yet been actioned.	The Clerk has confirmed this will be taken to the next meeting of Full Council.	
The Council has not been able to obtain a copy of the insurance policy from ACSC, despite repeated requests.	The Council must assess the risk of this key Council asset being uninsured, and should purchase insurance if ACSC fails to provide evidence of insurance cover . This risk should also be added to the Council risk register.	
I note that the Council has received CIL monies which have not yet been spent.	A further review of reserves is therefore required, to ensure that CIL monies are set aside in a specific earmarked reserve	
The Clerk provided evidence that budget monitoring reports have been presented to the Finance Committee and Full Council since October 2021.	I note that these reports are currently produced on an excel spreadsheet. Going forward, the Clerk should make use of the budget monitoring reports available in the RBS system to produce budget monitoring reports for Council.	

<p>Fixed assets may be subject to review by external audit.</p>	<p>The RFO should ensure a working paper is prepared to show how the fixed asset balance has changed in 21-22 before he finishes his work with the Council</p>	
<p>Fixed asset balances as stated at 31.3.22 should be confirmed as proxy / historic costs at a meeting of Full Council.</p>	<p>This will confirm asset values, in the absence of supporting cost documentation</p>	
<p>Accounting for Fixed Assets</p>	<p>The Council should add the RBS Fixed Asset Module to the accounting package, and the fixed asset register transferred on to the accounting system.</p>	