

Marie Singleton

Clerk to Aldingbourne Parish Council

24 April 2023

Dear Marie

Aldingbourne Parish Council - Interim Audit 2022-23

The internal audit of Aldingbourne Parish Council for the 2022-23 financial year is now complete.. The interim audit was carried out on 24 November. The year end audit was completed remotely on 24 April.

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 2022-23 with no comments.

I set out the results of my audit below, with recommendations at Appendix A. At appendix B I list audit tests not covered at this audit, as they are not applicable at APC.

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– 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.

You should now present this report to the next available meeting of Full Council, to assist councillors with the sign off of the Annual Governance Statement.

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Company Registration Number 14174016
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A - Appropriate books of account have been kept properly throughout the year

Interim Audit

The Clerk has been in post for around a year, and has made significant improvements to financial controls and routines at the Council. The RBS Alpha accounting system is now used effectively. Financial records were up to date at the time of my audit, and all referencing on the accounting system was clear. The accounts folder is updated each month, upon closure of the accounting period by the Clerk. Key documents, including the trial balance, nominal ledger, bank reconciliation and bank statements are printed and filed in the accounts folder, together with invoices from suppliers, remittance advices and sales invoices.

I reviewed VAT records on the Council's accounting system. The VAT reclaim for 21-22 was submitted to HMRC – I checked the receipt to bank, it was refunded to the Council on 28.7.22. The VAT return for the first 6 months of 22-23 has been prepared and is about to be submitted to HMRC. VAT due to the Council is supported by a list of transactions extracted from the accounting system.

The Clerk is the only person with access to the accounting system. I have suggested that the Clerk's access details should be given to the Chairman in a sealed envelope, only to be opened in emergency. This will enable the Council to continue operating should the Clerk be unavailable.

I checked that the opening balance on the RBS system at 1.4. 22 agreed to the unaudited accounts for 21-22.

Final Audit

The accounting statements have been agreed back to balance sheet and income and expenditure reports produced from the RBS Accounting system.

The external auditors have now completed the backlog of limited assurance reviews. Details of this work is set out in section N below. I note the certificate from external audit for 21-22 only commented on one matter – incorrect value for fixed assets in 2020-21 comparative balances. No other matters were raised. There are therefore no accounting matters that need to be taken into consideration in the 22-23 financial year raised in the last external audit report. The opening balance, tested at my interim audit does not need to be amended.

The Council's year end VAT return, for the 6 months to 31 March 23 has been completed, and was submitted to HMRC on 11 April 2023. The Council is up to date with VAT. A VAT reclaim of £3,682 has been made, this has been agreed to a schedule of transactions extracted from the accounting system.

The Council reviewed my last audit report at the November meeting of Full Council (Agenda item 14.1. The recommendations raised were noted and an action plan agreed.

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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

The Council has a well established set of policies and procedures. These are published on the website, and are comprehensive, and subject to regular review. Financial Regulations were updated at the Full Council meeting of May 2022. Going forward these will be reviewed at the AGM, alongside all core policies.

I selected a small sample of expenditure transactions at random from the first six months of the financial year. For each transaction selected I completed the following tests:

- Checked payment per accounting system agreed to invoice,
- Confirmed that for BACS payments – transaction loaded to bank by Clerk, authorised by 2 from a panel of 6 councillors
- Checked payment approval noted in minutes of Council meeting,
- Checked payment listing signed by Chairman.
- Confirmed VAT accounting correct on the ledger
- Checked expenditure appropriate for the Council

The Council has a robust system for the authorisation of payments in place and financial regulations were followed for all transactions sampled. The Council is meeting this control objective.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £82,130, up from £50,942 in 2021-22.

I carried out a further sample of expenditure testing at my final audit. I selected 5 invoices from payment listings and confirmed:

- Payment listing agreed to invoice
- Expenditure appropriate for the this council
- Payment listing signed by chairman
- I compliance tested 1 transaction to ensure proper authorisation at bank.

I have sufficient evidence to confirm that the Council met this control objective.

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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 is insured with Zurich Municipal on a standard local council package. The policy was in date at time of audit, with an expiry date of May 2023. Fidelity Insurance is set at £ 50,000. This was reviewed by Council as part of the insurance renewal process, although this may be a little low, given cash holdings can exceed £400K at the Council.

Asset cover appeared satisfactory, with coverage consistent with the asset register. There is clear evidence that asset cover has been reviewed this year and insurance increased to cover new assets. The Council has confirmed that ACSC own the Community Centre building so insurance of this building is not the concern of the Council.

The Council has made progress with the risk register since my last visit. This has been subject to further review and was approved at the Full Council meeting in October 2022 (minute 147). The risk assessment appears sufficient for a Council of this size.

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 on 11 October 2022. Accounting data is now cloud hosted by RBS, improving back up arrangements for this information.

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

Significant improvements to the system of budgetary control have been made since my last audit. Regular budget monitoring is now in place, I confirmed that the quarter 2 budget monitoring report has been prepared and will be taken to the Full Council meeting on 1 November. I reviewed the report. There are a number of budget overspends and expenditure items without budget. This is because the 22-23 budget was produced in a period of change for the Council. The Clerk has prepared a number of virements which will be considered at the next finance committee. Once these have been approved and posted to the accounting system, the budget will be more closely matched to the activity in place at the Council.

A draft business plan has been prepared by the Council and will be used to help in budget setting for 23-24 onwards. This has been reviewed by Finance Committee and will go to Full Council in November 2022, Precept and budget for 23-24 is also due to be agreed this meeting .

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I note from the Clerk that the Council has taken inflationary pressures faced by the Council into consideration in budget setting. The following factors should reduce the impact of inflation on the Council:

- Increased tax base
- A review of costs has been completed and some costs recommended for removal
- Fixing of service level agreements with suppliers and partners

I will review reserves at my year end audit . I am satisfied that the Council has met this control objective.

Final Audit

Reserves at 31 March 2023 were £348,701 (2021-22 £271,369).

Earmarked reserves at year end were as follows:

Earmarked reserve	Balance at 31.3.23	Purpose of Reserve
ACSC Rebuild	£213,745	Rebuild of ACSC
Artwork Maintenance	£5,341	
CIL	£31,275	CIL reserves set aside for eligible projects
Neighbourhood Plan	£20,000	Costs relating to NP
TOTAL	£270,361	

General reserves at year end were £78K, which is 53% of precept. This is in line with guidance set out in the NALC publication Governance and Accountability.

I am satisfied that the Council met the requirements of this control objective.

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

Interim Audit

The Council has received £25,020 CIL monies. I agreed this to a confirmation letter from Arun DC. Other non-precept income was not significant. Precept and other income will be tested at year end

Final Audit

Precept per box 2 to the accounts was £146,979 (21-22 £135,598). This has been agreed to third party documentation provided by external audit.

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Income per box 3 to the accounts was £53,381 (21-22 £15,392).

I tested 4 income transactions with a value of £21.2K. These were agreed to remittance advice notifications from the district council, bank compensation from Barclays or a VAT claim form. One transaction sampled related to a transfer of £7,387 from the NSI Sportsfield account. I checked both bank statements, to ensure that the transfer could be vouched into the current account

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.

Interim Audit

Payroll at the Council is processed by an external company, DM Payroll. Staff costs for September 2022 were agreed from ledger to payslip. I then agreed gross pay recorded on the payslip to the Clerk's pay award letter signed by the Chair of the Governance and Staffing Committee. I also confirmed the September payment has been made to HMRC.

Final Audit

Staff costs per box 4 to the accounts were £40,443 (21-22 £34,773).

I confirmed by review of the nominal ledger that box 4 only includes costs relating to employees, as required by regulations. Member allowances are correctly coded to box 6, non-pay expenditure. No further testing was carried out on payroll at the final audit, sufficient assurance was obtained at the interim audit.

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

Final Audit

Fixed assets per box 9 to the accounts were £ 135,186 (21-22 £87,345)

I have been able to agree the balance in the accounting statements to the Council's asset register. All assets are listed at cost or proxy cost, as required by the Practitioners' Guide. A schedule of variances has been prepared, this lists:

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- £54K of additions, correctly added to the asset register at cost. Main items purchased in 22-23 are CCTV system, bus shelter and a sculpture.
- £7K of disposals, this is the old CCTV system

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

I reviewed the Finance file, and this demonstrated that the Council bank accounts are being reconciled promptly each month, reviewed by a councillor, and balances reported at Full Council meetings. I reformed the September bank reconciliation and for both bank accounts I was able to

- Confirm balances back to bank statements
- Check arithmetic
- Confirm cashbook balance to the Council's RBS accounting system

The Council does not have an investment strategy at present. This is a statutory requirement for all Councils with investment balances in excess of £100k (this includes deposit accounts). The Council should adopt an investment strategy, this may also need to be a little more proactive, given that returns on deposit accounts have improved a little in the past 6 months.

Final Audit

Cash per box 8 to the accounts was £348,701 (21-22 £271,369) I reformed the year end bank reconciliations for 31 March 2023. 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 presented to the April meeting of the Finance Committee. The reconciliation has been signed as reviewed by 2 councillors.

Loans per box 10 to the accounts were £2,012 (21-22 £2,298) 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. Income at Aldingbourne just exceeded £200K in 22-23. However, as this is the first time this has happened, the Council is permitted to produce accounts on the receipts and payments basis - see extract from the Practitioners' Guide below

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- 2.3. Section 2 of the Annual Governance and Accountability Return is a smaller authority's statement of accounts and takes the form of a summary income and expenditure account and a statement of balances. Where an authority's gross income or expenditure is not more than £200,000 for that year, or for either of the two immediately preceding financial years, the statement may take the form of a summary receipts and payments account.

The Council may need to consider moving to accruals accounting in future years if income or expenditure breaches the £200K threshold.

An explanation of year-on-year variances has also been prepared, with detailed explanations for variances provided. I have reviewed this and explanations appear appropriate.

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

Yes – the Council has published statutory documentation. The Council has an up to date website, and the 21-22 AGAR and external audit certificate can easily be located on the website. An archive of previous AGAR documents is held on the website, as required by regulations. Minutes of Council meetings are published on the website and were up to date at the time of my audit.

M - Arrangements for Inspection of Accounts

Interim Audit

Inspection periods for 21-22 accounts were set as follows

Inspection - Key date	2021-22 Actual
Accounts approved at Full Council	28 June Full Council
Date Inspection Notice Issued	29 June
Inspection period begins	30 June
Inspection period ends	10 August
Correct length	Yes

All regulatory requirements were met in this regard.

N: Publication requirements 21/22 AGAR

The external auditors failed to complete the 2021-22 audit in time for the deadline of 30 September 2022. They have issued an interim certificate. The Council have correctly published this together with the annual governance statement and the accounts pages from the AGAR on the website. The final audit certificate was issued by Moore on 25.11.22. A conclusion of audit certificate was published on 13 December 2022. The results of the final audit were reported at the December 2022 meeting of Full Council (minute 1108-d)

The Council is now up to date with its limited assurance reviews and external audit certificates have been issued for all outstanding financial years.

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

Final Audit

The Council has brought charity commission reporting up to date, the 21-22 annual return was submitted in May 2022. The Charity is held as a separate company on RBS, and separate meetings are held.

I attach my invoice together with the signed internal audit report from the AGAR invoice. I would like to thank you for your help with the audit and I look forward working with you again in 2023-24.

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

Yours sincerely



Mike Platten CPFA

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Appendix A – Recommendations – Interim Audit

Matter Arising	Recommendation	Council Response
The Clerk is the only person with access to the accounting system.	I have suggested that the Clerk's access details should be given to the Chairman in a sealed envelope, only to be opened in emergency. This will enable the Council to continue operating should the Clerk be unavailable.	Access details shared and stored securely
The Council does not have an investment strategy at present. This is a statutory requirement for all Councils with investment balances in excess of £100k (this includes deposit accounts).	The Council should adopt an investment strategy, this may also need to be a little more proactive, given that returns on deposit accounts have improved a little in the past 6 months.	Policy now in place and adopted by Council
The Clerk must contact Moore one more time to finalise the 2 outstanding audit certificates.	I have suggested a complaint to the Smaller Audit Appointment Authority (SAAA) may be in order if the audits are not completed in the next month.	Now completed and final certificates obtained and published

No further recommendations at final audit

Appendix B

Audit Tests Marked as Not Covered

Internal Audit Control Objectives – Marked as not covered

Control Objective	Area for Audit	Why this has not been audited
F	Petty Cash	No petty cash at this council
K	Exemption from external audit	Council had a limited assurance review in 22-23

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