

Teresa Millum
Clerk to Borden Parish Council

31 October 2023

Dear Teresa,

Borden Parish Council - Internal Audit 2023-24

Interim Audit

Following the virtual interim audit completed on 31 October , 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 23-24 Annual Governance and Accountability Return (AGAR). I covered the following at this visit:

- Review of opening balances and reporting of 22-23 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 a small number of recommendations to raise, shown at Appendix A.

The external auditors reported that the inspection period for 22-23 was one day too long. Whilst I consider this to be a minor administrative error, I am obliged to conclude that the Council has not met the requirements of control objective M. The Council will also need to mark box 4 on the Annual Governance Statement as 'NO'.

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.

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

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The Council has moved accounting records on to the Rialtas Alpha accounting package for the 23-24 financial year. This is an industry standard package, widely used in the sector, and I believe this should improve financial accounting and save staff time in managing council finances. In the course of my testing I confirmed there is a clear audit trail from the accounts to supporting documentation such as invoices. Accounting entries were up to date and reconciliations were being completed on a timely basis.

I was able to agree the opening trial balance back to the published accounts for 22-23. Box 7 on the audited accounts for 22-23 was £128, 670, this agreed to the opening trial balance figure on the RBS accounting system.

The VAT return for the 12 months to 31 March 2023 was not submitted to HMRC until October 2023 - £8,790 was reclaimed. I recommend that the Council submits VAT claims on a quarterly basis going forward, using the digital submission process available in the accounting package. This will reduce work and ensure VAT is repaid promptly.

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 are based on NALC templates. These were last reviewed at the Council Meeting in May 2023.

The Council has a clear process for making payments to suppliers. Each month the Clerk prepares a payment list setting out all invoices received by the Council. These are reviewed and approved at the monthly council meeting, the resolution to pay is minuted. The payment list is then reviewed and signed off by two councillors. The Clerk sets up the payment on the Council's bank account, these are authorised online by 2 councillors. This process is compliant with financial regulations and has sufficient separation of duties.

I carried out a sample test of non-pay expenditure transactions selected at random from the cashbook throughout the financial year. I was able to confirm the following for all transactions:

- Payment agreed to invoice
- Payment set up at bank by clerk and approved on Unity bank account by 2 councillors
- Expenditure appropriate for this Council
- Invoice approved for payment at meeting
- VAT accounting correct

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 Hiscox Insurance on a standard local council package, The policy was in date at time of audit, with an start date of 1 October 2023 , valid until cancelled. Asset cover appeared satisfactory with coverage for the following assets. I note the insurance provides cover for the Village Hall, this is paid for by the Village Hall Charity.

Item description	Excess	Amount Insured
Total Buildings	£250	£2,557,852
Gates and fences	£250	£15,778
Fixed outside equipment	£250	£3,156
Street furniture	£250	£78,460
War memorials	£250	£0
Playground equipment	£250	£55,057
Sports surfaces	£250	£0
Other surfaces	£250	£12,107
Rent receivable	£250	£0

The Clerk confirmed that the Village Hall valuation is in process, the valuation should be shared with the insurer once it has been sent to the Council.

Fidelity cover is sufficient at £250K. This is comfortably in excess of cash balances held by the Council.

The Council risk register was considered at the Full Council meeting in June 2023 – on file (item 55e) The Council manages the risk assessment via Finance Committee meetings, there is evidence of update in year. I reviewed the risk assessment document and risks I would anticipate to see covered at a council of this size were recorded.

I am satisfied that the Council has met its obligations in this area for 23-24.



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 was able to confirm that the process for setting the budget and precept for 24-25 is underway. A first draft budget is due to be reviewed at the Full Council meeting in November 2023. Further meetings are available in December and January to finalise the budget and precept for 24-25. I am satisfied that precepting authority deadlines will be met.

I confirmed financial statement reports are produced for each monthly meeting of Full council. This is confirmed in minutes. I reviewed the report, it is a simple summary of receipts and payments, comparing the current year with the previous financial year. I recommend that monthly reporting is reviewed, and a budget v actuals report is produced for councillors. This is a standard report in the Alpha system, and Rialtas will be able to assist in formatting the report.

I will review reserves at my final audit.

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

Year end test

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

Satisfactory. My testing confirmed that the Council does not use 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.

Payroll is processed by the Clerk using the HMRC basics package.

I tested the August 2023 payment to the Clerk, and was able to agree the cashbook entry to payslip produced by HMRC Basics. I recalculated gross pay and confirmed it was correctly calculated for an officer working 15 hours per week at scale point 28. There was evidence of councillor review on the payroll calculations.

The 23-24 pay award had not been agreed at the time of this payment.

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

Final audit test

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

Interim Audit

I was able to confirm that the bank account is reconciled to the cashbook each month, via the cashbook spreadsheet. I was also able to confirm, by reference to minutes of council meetings, that the bank reconciliation is discussed regularly at Council meetings.

I re-performed the bank reconciliation for September 2023. I tested the following

- Confirmed statement balances on reconciliation back to bank statements
- Confirmed cashbook balance to RBS Summary receipts and payment report
- Checked the reconciliation has been reviewed and this evidence properly reviewed by the Chairman

The Council still uses a spreadsheet to produce the summary bank reconciliation report. This should be replaced by the reporting available in the RBS system.

The Council does not currently have an investment policy. Given increased cash holdings, this is now required, and investment decisions should be reviewed annually at a meeting of Council. An example investment policy is attached :

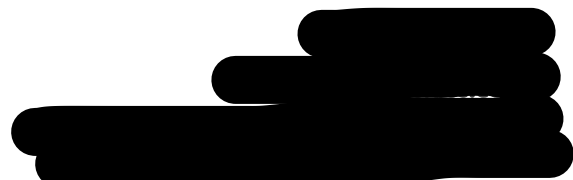
[Annual-Investment-Strategy-adopted-8-Feb-2022.pdf \(binfieldparishcouncil.gov.uk\)](#)

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.

Final audit 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

The requirements of the Transparency Code 2015 do not apply to this Council, as gross income and expenditure is below £200K and above £25K. However, I can confirm that the Council website is up to date and holds minutes, agendas and an archive of AGAR reporting, as required by regulations.



M - Arrangements for Inspection of Accounts

Inspection periods for 22-23 accounts were set as follows

Inspection - Key date	22-23 Actual
Accounts approved at Full Council	15 June Full Council
Date Inspection Notice Issued and how published	16 June
Inspection period begins	20 June
Inspection period ends	1 August
Correct length	No – 31 days

The inspection period was one day longer than required by regulations. This has been picked up by external audit, who have recommended that the council should mark box 4 on the Annual Governance Statement for 23-24 as 'NO'.

N: Publication requirements 2023 AGAR

The complete required pages of the AGAR and the external audit certificate are published on the accounts page of the Council website. The external audit certificate is dated 23 September. The Conclusion of Audit certificate is also published, dated 27 September, before the statutory deadline of 30 September. The external audit certificate will be reported to the November meeting of Council. The Council met publishing requirements.

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

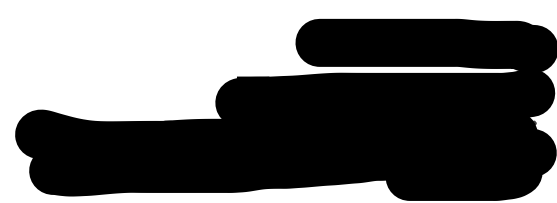
Satisfactory –The Council has confirmed to me that the Council is not sole trustee of a charity. It is the custodial trustee of Borden Parish Hall, but the Council is not a sole trustee of this charity.

I would like to thank you for your assistance with the audit. I attach my invoice. I will be in touch in February to make plans for the final audit. In the meantime, do not hesitate to contact me if you have any questions at all.

Yours sincerely



Mike Platten CPFA



Appendix A – Recommendations

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
I recommend that the Council submits VAT claims on a quarterly basis going forward, using the digital submission process available in the accounting package.	This will reduce work and ensure VAT is repaid promptly.	
I confirmed financial statement reports are produced for each monthly meeting of Full council. This is confirmed in minutes.	I recommend that monthly reporting is reviewed, and a budget v actuals report is produced for councillors. This is a standard report in the RBS system.	
The Council does not currently have an investment policy.	Given increased cash holdings, this is now required, and investment decisions should be reviewed annually at a meeting of Council	
The Council still uses a spreadsheet to produce the summary bank reconciliation report.	This should be replaced by the reporting available in the RBS system.	
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