

Gemma Lake  
Heybridge Basin Parish Council

12 June 2023

Dear Gemma,

**Heybridge Basin Parish Council**

**Internal Audit 22-23**

The internal audit of Heybridge Basin Parish Council for the 2022-23 financial year is now complete. The audit was carried out remotely on 12 June 2023.

**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 in the attached report.

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. These control assertions are set out in the detailed report, together with the results of my internal audit work for 2021-22. Recommendations identified in the course of my testing are attached at appendix A. These will be followed up at next audit. At appendix B I list tests not completed as they are not relevant to this council.

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

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

The Council maintains financial records on an excel spreadsheet. I note that the Council has recently approved the purchase of the Scribe accounting system which I believe will improve financial reporting and save time in producing finance reports. The Council's accounting arrangements now have a degree of complexity due to significantly increased income and expenditure, and additional bank accounts, all a result of accounting for the operation of the car park. This is too complex to manage on an excel workbook.

I was able to agree the opening balances in the cashbook back to the audited accounts for 2021-22, as published on the Council website. This was achieved by recreating the cashbook for 22-23. In the course of my testing I confirmed there is a clear audit trail from the accounts to supporting documentation such as invoices. No accounting matters were raised by external audit in the 21-22 audit certificate, so there is nothing that needs to be taken into account for the 22-23 financial year.

The Council is up to date with VAT. The VAT return for the year to 31 March 2023 was submitted to HMRC on 3 May 2023. VAT due was paid on 4 May 2023. The Council owed HMRC £12,079 at this date. The Council has registered for VAT in the course of 2022-23, and now submits quarterly returns to HMRC. The purchase of the accounting system is essential to enable the Council to meet VAT reporting requirements.

The accounting statements have been agreed back to bank reconciliation and cashbook reports produced from the Council's excel accounting package. An error was identified in the original submission, this was corrected. All comparatives reported in the financial statements have been agreed back to the audited 2021-22 accounts as published on the Council website.

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

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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**

Non pay expenditure per box 6 to the accounts amounted to £49,463, up from £22,661 in 2021-22.

Standing Orders and Financial Regulations are based on NALC templates. These were last reviewed at the Council Meeting on 16 May 2023.

The Council has a clear process for making payments to suppliers. Payments are approved at monthly meetings. The Clerk then sets up payments at bank, details are sent to councillors. One councillor authorises the payment at bank from a panel of 5 bank signatories.

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

- Payment agreed to invoice
- Invoice signed off by 2 councillors on payment schedule
- Expenditure appropriate for this Council
- VAT accounting correct

It is not always clear from payment listings who has authorised invoices for payment. Councillors are asked to initial or sign payment listings clearly so they can be checked by audit at a later date.

I am satisfied 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.**

The Council is insured with Zurich Insurance on a standard local council package, The policy was in date at time of audit, with an expiry date of May 2024. Asset cover is limited, with cover for street furniture at an insured value of £27K, and office contents at £900. This appears consistent with the asset register.

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

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The Council risk register was considered at the Full Council meeting in May 2022 (minute 22/15a). The risk assessment is a comprehensive document, based on a template provided by Local Council Risk System and covers risks anticipated at this council – it includes a section on risk management relating to the car park.

The Council will be using Scribe cloud storage for the accounting system going forward, this is a sensible decision, back up of accounting data is managed by the supplier, and is purchased as part of the subscription cost.

I am satisfied that the Council is meeting 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.**

Reserves at 31 March 2022 were £97,279 (21-22 £11,938).

The precept and budget for 2022-23 were approved at the Council meeting in December 2022. A precept of £34,000 was set. Detailed budget discussions occurred at the November 2022 meeting of Council

The Council does not currently hold any earmarked reserves, although I understand that it is planning to resurface the access road to the car park. It is recommended that reserves are reviewed in the next 3 months. The Council should determine:

- The level of general reserve required. This should not be excessive, but sufficient to
  - o Provide sufficient working capital
  - o Provide against contingencies
  - o Assist with the cost of asset maintenance
- Any earmarked reserves required for future projects, such as car park works.

The JPAG Practitioners' Guide provides assistance in this area. Once reserves have been reviewed, they should be recorded and managed on the accounting system. Scribe will provided assistance in setting up reserves on the accounting system

I confirmed regular budget monitoring reports, as required by financial regulations, are being produced for Council meetings, by reviewing minutes. On a quarterly basis, the budget v actual report, along with the rest of the cash book is presented to Councillors. I confirmed this occurred at the January 2023 meeting, when the quarter 3 accounts were presented to Council

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

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

Precept per box 2 to the accounts was £34,000 (2021-22 £34,000). This has been agreed to third party documentation provided by central government.

Income per box 3 to the accounts was £109,888 (2021-22 £1,584).

I selected three credits from the cashbook, with a value of £34,418. These were agreed to email notifications from the car park contractor, Smart parking

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

**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.**

Staff costs per box 4 to the accounts were £9084 (2021-22 £6,081).

I confirmed that the accounts only include payments relating to employment of staff in box 4 to the accounts.

I tested the February 2023 payment to the Clerk, and was able to agree the cashbook entry to payslip from HMRC basics . From there I was able to confirm gross pay to pay award to contracted pay grade. I have one recommendation. Timesheets are checked by the chairman prior to payment, but no evidence of this check is retained. The timesheet should be signed off as accurate before payment by a reviewing councillor and the signed timesheet retained.

I am satisfied that the Council met this control objective.

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

**Final Audit**

Fixed assets per box 9 to the accounts were £ 13,771 ( 21-22 £11,077). 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. I checked arithmetic, and the accounts balance agrees to the assets listed on the asset register. The Clerk provided a schedule of additions which have been correctly added at purchase cost.

I am satisfied that the Council met this control objective.

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

**Final Audit**

Cash per box 8 to the accounts was £97,279 (21-22 £11,938)

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 checked the year end bank reconciliation to bank statements and to the cashbook. Details of this work is set out below

Parish account	11405.66	agreed bank rec and bank statement
Car park account	25100.43	agreed bank rec and bank statement
Deposit account	60772.94	agreed bank rec and bank statement
TOTAL	97279.03	

All three reconciliations had been reviewed by councillors and this review evidenced

I am satisfied that the Council met 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 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.

I am satisfied this control objective has been met.

**K: If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt.**

- Not applicable, the Council had a limited assurance review in 21/22.

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**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 as required by the 2015 Transparency Code. The Council has an up to date website, and the 21-22 AGAR and external audit certificate can easily be located on the website. 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**

Inspection periods for 21-22 accounts were set as follows

Inspection - Key date	21-22 Actual
Accounts approved at Full Council	17 May Full Council
Date Inspection Notice Issued	29 June
Inspection period begins	30 June
Inspection period ends	10 August
Correct length	Yes

The Council met the requirements of this control objective.

**N: Publication requirements 2021-22 AGAR**

The Statement of Accounts, Annual Governance Statement and the external audit certificate are published on the accounts page of the Council website. The Conclusion of Audit Certificate has been published with a date of 28.9.22. This is after the date of the external audit certificate (25.9.22) and before the regulatory deadline ( 30 September).

The external audit report for 21-22 has not yet been reported to Full Council. This should be actioned at the next available meeting.

The following points were raised in the external audit certificate:

<p>Section 1, Assertion 5 has been incorrectly completed. There was no annual review of risk management arrangements during the year. However, we are aware that this has been completed since the year end. This is consistent with the Internal Auditor's response to Internal Control Objectives B and C.</p> <p>The AGAR has not been signed in accordance with the Accounts and Audit Regulations 2015:</p> <ul style="list-style-type: none"> <li>Section 2 was not signed by the Responsible Finance Officer before approval.</li> </ul>
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The Clerk should ensure that instructions on the AGAR are followed closely when the accounts are approved in 22-23.

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**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. This has been confirmed by a search of the Charity Commission register of charities.

I would like to thank you for your assistance with the audit. I attach the internal audit report from the AGAR and my invoice, for your consideration.

As discussed, the invoice is £180 higher than originally quoted. This is a result of the increased income and expenditure in 22-23 relating to the car park. My quote was based on 21-22 turnover.

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

I look forward to working with you again in 2023-24.

Yours sincerely



Mike Platten CPFA

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## Appendix A – Recommendations

### Points Forward – Action Plan

Matter Arising	Recommendation	Council Response
It is not always clear from payment listings who has authorised invoices for payment.	Councillors are asked to initial or sign payment listings clearly so they can be checked by audit at a later date.	
The Council does not currently hold any earmarked reserves.	It is recommended that reserves are reviewed in the next 3 months. The Council should determine: <ul style="list-style-type: none"> <li>- The level of general reserve required.</li> <li>- Any earmarked reserves required for future projects, such as car park works.</li> </ul>	
The external audit report for 21-22 has not yet been reported to Full Council.	This should be actioned at the next available meeting.	
Timesheets are checked by the chairman prior to payment, but no evidence of this check is retained.	The timesheet should be signed off as accurate before payment by a reviewing councillor and the signed timesheet retained.	

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## Appendix B

### 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 limited assurance review	Council had limited assurance review in 22-23
O	Trust Funds	No trusts at this council

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