

Gemma Lake  
Heybridge Basin Parish Council

24 May 2024

Dear Gemma,

**Heybridge Basin Parish Council**

**Internal Audit 23-24**

The internal audit for the 23-24 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) with no comment.

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 23-24. Recommendations are set out at Appendix A. I set out a schedule of tests not completed at this audit at Appendix B, these tests are not relevant to this Council.

The audit was carried out in two stages. The interim audit was carried out on 15 December, this concentrated on in year financial transactions and governance controls. The final audit was completed remotely on 22 May and concentrated on the statement of accounts and balance sheet.

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

### **Interim Audit**

The Council has moved accounting records on the Scribe accounting package for 23-24. This is an industry specific accounting package and should improve management and financial accounting at the Council. The cashbook was up to date at the time of my audit, with entries posted to the end of November 23. Referencing appeared clear. There is scope to make use of the document storage function within the application to store invoices and other paperwork linked to transactions.

I was able to agree the opening balances in the Scribe cashbook back to the audited accounts for 22-23, as published on the Council website. Box 7 in the accounting statements was £97,279, the cashbook opening balance was £97,279.03

The Council is up to date with VAT. The VAT return for the three months to 30 September was submitted to HMRC on 3 November 2023. VAT due was paid on 3 November.

### **Final Audit**

The accounting statements have been agreed back to year end reports produced from the accounting system. All comparatives reported in the financial statements have been agreed back to the audited 22-23 accounts, as published on the Council website. The external audit report for 2023-24 recommended that adjustments should be made to box 4 and 6 for the 22-23 accounts. This had not been actioned in the initial draft accounts. The Clerk has corrected the accounting statements following my recommendations.

I confirmed that the VAT return for the final quarter 23-24 has been submitted to HMRC – submission date of 3 May on accounting system. £369 was payable to HMRC.

My interim report was considered at the January 24 Council meeting:

#### **23/157 Interim Internal Audit**

- b. To note and approve the Interim Internal Audit Report from April Skies for 2023/24.  
The Interim Internal Audit was noted and approved with recommendations to be actioned accordingly.

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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**

Standing Orders and Financial Regulations are based on NALC templates. These were last reviewed at the Council Meeting on 16 May 2023 (minute 23/14). The Council is aware that a redraft of the model financial regulations is being worked on by NALC. This will need to be taken into consideration when the Council next reviews its own regulations

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

2 Councillors now sign off invoices and payment listings, following a recommendation raised last audit.

## **Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £ 66,649, up from £49,703 in 22-23 .

I carried out a sample test of non-pay expenditure transactions selected from the payments report on Scribe for months 9-12 . I was able to confirm the following for all transactions:

- Payment agreed to invoice
- Expenditure appropriate for this Council
- VAT accounting correct
- Signed payment list in place for transaction

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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 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.

The Council is due to complete the risk assessment review before year end, the Clerk has been reminded to ensure this reviewed is recorded in minutes of a Council meeting before 31 March.

The Council uses Scribe cloud storage for the accounting system, back up of accounting data is managed by the supplier, and is purchased as part of the subscription cost. The Clerk confirmed that a back up to an external hard drive was completed on 1<sup>st</sup> December 2023.

**Final Audit**

The Council completed the annual review of the risk assessment at Full Council on 13<sup>th</sup> February 2024; Minute 23/184 a. I have reviewed the risk assessment, is appears sufficient for a council of this size and there is evidence of update in year.

**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 is advanced in preparations for the 24-25 budget. A draft budget has been prepared and is currently being reviewed by councillors. This is due to be reviewed at the Full Council meeting in December.

The Clerk confirmed that earmarked reserves have been agreed by Council for future works on Daisy Meadow Car Park now set up for future works on the carpark. These reserves should now be set up on Scribe, together with a record of minutes at which the Council resolved to set up the reserves. This should be actioned before year end, I can then review reserve balances at my year audit.

On a quarterly basis, the budget v actual report, along with the rest of the cash book is presented to Councillors. I confirmed that the quarter 2 report was presented to the October meeting (minute 23.86.3), and that the quarter 3 report will be reviewed at the January meeting.

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## **Final Audit**

Reserves at 31 March 2024 were £160,390 (22-23 £97,279).

Reserves recorded on the accounting system at 31.3.24 are as follows:

<b>Earmarked</b>			
DMCP Access Road	4,937.69	110,001.34	114,939.03
General Reserves	11,937.69	5,062.31	17,000.00
<b>Total Earmarked</b>	<b>16,875.38</b>	<b>115,063.65</b>	<b>131,939.03</b>
<b>TOTAL RESERVE</b>	<b>16,875.38</b>	<b>115,063.65</b>	<b>131,939.03</b>
<b>GENERAL FUND</b>			28,451.29
<b>TOTAL FUNDS</b>			160,390.32

The Council has set aside 114K for work on the car park access road. General reserves are £45K in total, once the 2 general reserves are brought together. This is more than the value of the precept, but not unreasonable given the higher level of income and expenditure resulting from the operation of the carpark.

The budget and precept for 24-25 were reviewed and approved at the Full Council meeting on 12 December 2023 ( minute 23/138) A precept of £31,500 was set. The 24-25 budget should now be loaded into the Scribe accounts system to permit budget monitoring reports to be issued.

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

## **Interim Audit**

I tested car park income. I selected five credits from the cashbook, with a value of £44K. These were agreed to email notifications from the car park contractor, Smart Parking.

The Council carries out very little verification on this important income stream – the monthly credit is agreed to an email from the contractor, but no supporting data ( such as transaction listings / car park machine data is supplied. The Council must carry out more checks on this data. As a minimum this should include:

- Review of transactions to support credit paid by contractor
- Review of car park machine data and check to credit the contractor
- Review of payment calculations by the contractor to ensure these are in line with the contract

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### **Final Audit**

Precept per box 2 to the accounts was £34,000 (22-23 £34,000). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £106,622 (22-23 £109,888).

I tested three further transactions from the last 4 months of the financial year. 2 car park income credits were agreed to emails from Smart Parking. A bank interest credit was agreed to the bank statement.

The Clerk has been in contact with Smart Parking, and as yet the contractor has not produced a report that enables the Council to properly check car park income. It is essential that the carpark contractor reconciles sales per the car park machine to cash paid to the Council each month. If this is not possible, an alternative contractor should be considered, as the Council must be able to check that car park income is paid in full.

### **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.**

### **Interim and Final Audits**

Staff costs per box 4 to the accounts were £10,862 ( 22-23 £8,844).

I tested the July 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 hours recorded on time sheet multiplied by hourly rate of pay for a scale point 21 officer, as recorded in the clerk's contract. I checked hours worked to timesheet signed off as approved by a councillor.

I confirmed at the year end audit that box 4 to the accounts in 23-24 includes cost centre 16 only – this is salary payments, HMRC and pension payments. Accounting is complaint with AGAR requirements.

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

**Final Audit**

Fixed Assets per box 9 to the accounts were £13,158 ( 22-23 £13,771)

The figure in the accounts has been agreed to the fixed asset register. The asset register correctly accounts for all assets at cost. This follows accounting rules set out in the Practitioners' Guide. The Clerk confirmed no disposals in year. A view of the cashbook did not identify any fixed asset purchases. I understand from the Clerk that the asset register has been validated in 23-24, and all assets listed are in place.

**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 periodically, 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 September reconciliation. The results of my work are set out below:

Account	Balance at last reconciliation	Audit Findings
DMCP - Unity	£28990 – September 2023	Reconciliation balances agreed to Bank. Imbalance of £60 between reconciliation and Scribe cashbook
HBPC - Unity	£48,078 – September 2023	Reconciliation agreed to bank statement and cashbook
Savings - Unity	£88,831 – September 2023	Reconciliation agreed to bank statement and cashbook

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

- There is a £60 unidentified imbalance on the DCMP reconciliation in September – cashbook on Scribe does not agree to the reconciliation. The Clerk is working with Scribe to clear this small imbalance

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The Council must approve an investment policy, as cash balances exceed £100K. The investment policy should be reviewed in the next 3 to 6 months. The policy should follow industry standard templates – an example is below.

[230222 Investment strategy Feb 2023 ADOPTED.pdf \(windleshampc.gov.uk\)](#)

The investment policy must assess where the Council wishes to hold its cash and investment holdings, balancing return against risk, and matching medium to long-term expenditure plans.

### **Final Audit**

Cash per box 8 to the accounts was £160,390 (22-23 £97,279)

I reperformed the year end bank reconciliation. For all bank accounts I was able to agree the balance on the bank reconciliation back to bank statements and cashbook balances recorded on the accounting system . The bank reconciliation has been reviewed by a councillor, this has been evidenced on the face of the reconciliation and on bank documentation.

The Council approved an investment policy at the May 24 meeting

**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.

**K: If the authority certified itself as exempt from a limited assurance review in 22-23 it met the exemption criteria and correctly declared itself exempt.**

Not applicable, the Council had a limited assurance review in 22-23

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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 22-23 AGAR and external audit certificate can easily be located on the website. There is an archive of AGR documentation going back to the formation of the Council. 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 22-23 accounts were set as follows

Inspection - Key date	22-23 Actual
<b>Accounts approved at Full Council</b>	20 June Full Council
<b>Date Inspection Notice Issued</b>	22 June
<b>Inspection period begins</b>	23 June
<b>Inspection period ends</b>	3 August
<b>Correct length</b>	Yes

The Council met the requirements of this control objective.

**N: Publication requirements 22-23 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 25.9.23. This is after the date of the external audit certificate (19.9.23) and before the regulatory deadline ( 30 September). The external auditors raised the following points in their certificate:

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### 2 External auditor's limited assurance opinion 2022/23

Except for the matters reported below, on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR), in our opinion the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

The AGAR was not accurately completed before submission for review:

- The smaller authority has not restated the 2021/22 figure when revaluing and reviewing assets, including assets previously omitted, in Section 2, Box 9. Please note that the Practitioners' Guide allows smaller authorities to use any reasonable valuation method, provided that the prior year figure is restated for consistency and comparability.
- Section 2, Box 4 incorrectly includes items which are not staff costs as defined in the Joint Panel on Accountability and Governance Practitioners' Guide. Please note that Box 4 should comprise payments made in relation to the employment of staff including only gross salary, employers' national insurance contributions, employers' pension contributions, gratuities for employees or former employees and severance or terminations payments to employees. Employment expenses which are benefits (mileage, travel, home working allowance etc.) and items of reimbursement of expenses for postage, stationery or other outlays made on behalf of the smaller authority are not staff costs for the purpose of completion of the AGAR in accordance with proper practice. The figures in Section 2, Boxes 4 and 6 should read £8,844 and £49,703 (respectively).

The Council should take care to follow these recommendations when compiling the accounts for 23-24.

The external audit report for was reported to Full Council in October ( minute 23/87) .

### **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 attach my invoice for your consideration together with the internal audit report from the AGAR. I would like to take this opportunity to thank you for your help with the audit. I look forward to working with you again next year, in the meantime please do not hesitate to contact me if I can be of any assistance.

Yours sincerely



Mike Platten CPFA

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## Appendix A – Recommendations

### Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
Scribe – Document Storage	There is scope to make use of the document storage function within the application to store invoices and other paperwork linked to transactions.	Clerk to attend further Scribe training
The Clerk confirmed that earmarked reserves have been agreed by Council for future works on Daisy Meadow Car Park now set up for future works on the carpark.	These reserves should now be set up on Scribe, together with a record of minutes at which the Council resolved to set up the reserves	Now set up
The Council carries out very little verification on car park income – the monthly credit is agreed to an email from the contractor, but no supporting data (such as transaction listings / car park machine data is supplied.	The Council must carry out more checks on this data. As a minimum this should include: <ul style="list-style-type: none"> <li>- Review of transactions to support credit paid by contractor</li> <li>- Review of car park machine data and check to credit the contractor</li> <li>- Review of payment calculations by the contractor to ensure these are in line with the contract</li> </ul>	Contractor has offered an portal where information can be obtained. Contract expires in March 25 and this will be assessed as part of the contract review
The Council must also approve an investment policy, as cash balances exceed £100K. The investment policy should be reviewed in the next 3 to 6 months. The policy should follow industry standard	The investment policy must assess where the Council wishes to hold its cash and investment holdings, balancing return against risk, and matching medium to long-term expenditure plans.	Actioned May Council meeting

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# April Skies

## Accounting

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templates – an example is below.		
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<a href="#">230222 Investment strategy Feb 2023 ADOPTED.pdf (windleshampc.gov.uk)</a>		
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No Further Recommendations at the Final Audit

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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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