

Ceri Rance

Clerk to Binfield Parish Council

27 April 2023

Dear Ceri

**Binfield Parish Council - Internal Audit 2022-23**

The internal audit of Binfield Parish Council for the 2022-23 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 2022-23 with no comments. The final audit was carried out remotely.

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 2022-23.

The audit was carried out in two stages. The interim audit was carried out remotely on 20 October 2022, this concentrated on in year financial transactions and governance controls. The final audit was carried out remotely. This work was carried out during the week of 19 April 2022 and concentrated on the statement of accounts and balance sheet.

I would like to thank Amanda for her assistance with the audit and her hard work in maintaining high quality financial records.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

### **A. Books of Account** **Interim Audit**

The Council continues to record financial transactions and produces accounts using the AdvantEdge package. This is an industry specific accounting package, and well suited to a Council like Binfield. Payroll is outsourced to a payroll agency, Bookings are recorded on an excel spreadsheet with all income booked into Advantedge. Again, this is appropriate, given the level of lettings activity at the Council. The RFO is highly experienced, and has carried out this role for a number of years

My testing has confirmed that reconciliations are up to date, and that there is a clear audit trail from the accounting system to supporting documentation and authorisations.

I have confirmed that the Council's VAT returns are up to date, with the most recent claim for the 3 months to 30 September 2022 submitted to HMRC. The refund was received on 14 October, I have confirmed this to the bank statement. . I checked that balances in the return could be agreed to schedules produced by the accounting system. VAT per the balance sheet at 30.9.22 agreed to the September VAT return.

I checked access controls to the Council's Accounting system. Access is granted to the RFO and an administrative officer. Edge IT has superadmin access and I have access to reports only. All access levels are appropriate for the officers concerned, and only appropriate people have access to the system. The Council is dependent on the RFO for maintenance of the Finance system, consideration should be given to setting up more officers as users of the Edge system, and training them in how to use elements of the Finance system.

I checked the brought forward balances on the trial balance against the audited prior year annual return. I can confirm these have been brought forward correctly. Opening cash on the cashbook (£1,551,167) agreed to the audited accounts for 21-22.

The external auditors (PKF) issued a clean audit certificate for 21-22, so there is nothing to be taken into consideration this financial year. A point was raised in the other matters section of the external audit certificate, relating to incorrect ticking of boxes on the Governance statement. This was corrected prior to completion of the external audit.

The external audit opinion was reported at the Full Council meeting in October 2022, this is recorded in minutes. I confirmed that my most recent internal audit report was properly considered by Councillors at the Annual Parish Meeting in May 2022.

### **Final Audit**

The accounting statements have been agreed back to balance sheet and income and expenditure reports produced from the Edge Accounting system. All comparatives reported in the financial statements have been agreed back to the audited 21-22 accounts as published on the Council website.

I confirmed that the year-end VAT return has been completed and was submitted to HMRC on 13th April. VAT reclaimed was £2,628, this has been agreed to the balance sheet and to the completed VAT return, together with a supporting schedule of transactions on the Edge accounting system.

The Council reviewed my interim audit report at the November 22 Council meeting. An action plan was approved in response to recommendations raised.

I am satisfied that the Council has met this control objective.

### **B. Financial Regulations & Payments** **Interim Audit**

Standing Orders and Financial Regulations were reviewed at the Annual Council Meeting in May 2022, and this review noted in minutes. The Binfield documents are based on NALC templates. The Financial Regulations include an appendix setting out in detail the payment authorisation process at Binfield. This sets out in detail the process whereby officers set up and check payments and payments are approved for payment at a Council meeting. Payments are authorised at bank by a councillor.

Council is given authority to spend via the annual budget process. The Council has a robust procedure in place to ensure that all expenditure is authorised in line with financial regulations.

I selected a sample of transactions from the ledger, amounting to £26K and I was able to confirm for all transactions that:

- Checked expenditure to purchase order schedule
- Transactions could be agreed back to invoice
- VAT accounting correct
- Expenditure appropriate for the Council
- Transaction reported on payment list signed off by councillors

I have identified two areas where there are inconsistencies between the financial regulations and actual payment processes at the Council:

- Financial Regulations state that official orders should be issued for all work, goods and services. This is not happening at present. The council should review purchase order processes and ensure these are issued to suppliers where appropriate
- Financial Regulations require an approved payments report to be signed by 2 councillors once payments have been approved at a meeting of Full Council. This document is produced but not signed at present. It is recommended that the financial regulations are

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

reviewed to ensure that they are consistent with the payment process in place at the Council.

### **Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £166,965, down from £288,154 in 2021-22. I selected a further sample of expenditure transactions from the ledger for the final 4 months of the financial year. For all transactions tested I was able to confirm that:

- Transactions could be agreed back to invoice
- VAT accounting correct
- Payment approved at a meeting of the Council, with minute agreeing to payment listing
- Expenditure appropriate for the Council.

I note that the council has amended financial regulations in response to my interim audit recommendations, and now uses the purchase order function in Edge to raise purchase orders, as required by financial regulations.

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

### **C. Risk Management & Insurance** **Interim Audit**

The Council is in year two of a 3 year deal with BHIB insurance. I have reviewed the policy document and can confirm it is in date, with an expiry date of 1 October 2023. Fidelity cover is set at £500K and asset cover appears consistent with the asset register. There is evidence that asset cover was reviewed prior to insurance renewal.

The Council has a well-established process for backing up computer data. Accounting system data is backed up by Edge IT – I am able to access this data remotely, so I am satisfied

### **Final Audit**

The Council reviewed the risk assessment at the Full Council meeting on 12 April 2022 (minute 184.2) . I reviewed the risk assessment, it is based on a sector template and is comprehensive. Risks specific to this council (CIL expenditure) are included, and there is evidence of update in year. I remind the Council that the next review of the risk register should be completed in the next 6 months, it has not been reviewed for a year.

The Council has met its obligations in this area for 22-23.

### **D. Budget, Precept & Reserves**

#### **Interim Audit**

The Council is about to commence the process of preparing the budgets for 2022-23. The first budget meeting is due to take place on November 1. I have confirmed with the RFO that inflationary pressures are being considered in 23-24 budget setting. The RFO has also confirmed that the Memorandum of Understanding for The Blue Mountain Building has been agreed, and that this will be a new budget line for 23-24. CIL project work is ongoing and Council are developing projects to utilise CIL reserves.

I have confirmed that regular budget monitoring reports continue to be issued to councillors at each Full Council meeting. I reviewed the budget report as presented to Councillors showing the budget position at September 2022. The monitoring report was comprehensive, providing clear information on spend and income recorded on the ledger, together with projections for the rest of the financial year. This is compared against the approved budget, with an additional column showing variations and budget amendments approved in the course of the financial year. My review identified no significant overspends. Minutes record councillor review of the budget position.

I will review the Council's reserves position at my year end visit. However, I note that the Council has well developed reserves, which are recorded on the balance sheet, with additional monitoring via the monthly budget monitoring report presented to councillors. The Council continues to monitor CIL accounts closely, and is actively looking for projects on which to spend CIL reserves. I am content that CIL monies and potential expiry dates are being monitored and that the Council continues to work to develop projects to utilise CIL deposits.

#### **Final Audit**

Reserves per box 7 to the accounts at 31 March 2023 were £2,080,482 (2021-22 £1,537,969).

General fund reserves at year end were £131,710. This represents 53% of precept, which is in line with best practice set out in the NALC Practitioners' Guide.

The Council's Community Infrastructure Levy (CIL) reserve was £1.7 million at year end. Councillors continue to receive a CIL update at each Council meeting. I note

- The Council has agreed in principle to run the Blue Mountain community facility in the parish. Financial agreements may use £300k of CIL funds towards the project.
- Bracknell Forest Council has agreed to an extension of eighteen months to spend CIL funds because of covid related delays.

Other earmarked reserves amount to £161K. These have been set up for a variety of purposes, such as maintenance of open spaces, elections and village projects. I note earmarked reserves have increased in value from £77K. The Council is boosting reserves to support assets and fund future village projects. This has been confirmed to budget setting for 22-23 and to minutes of the March 23 meeting, when budget underspends were allocated to reserves, I remind the Council that I will be looking for evidence of these reserves being used in future years – the council has no powers to hold cash without a clear purpose.

I have confirmed by review of minutes that the Council approved the budget and precept precept for 23-24 at the December 2022 meeting of Full Council (minute 113.2). A precept of £278,687 was set. A balanced budget has been approved - a summary is below:

	<b>Budget 23-24</b>
Expenditure	£313K
Transfers to reserves	£13K
Income	(£48K)
Precept	(£278K)
Total	0

I note that the budget includes £37k for revenue costs relating to the Blue Mountain Centre.

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

### **E. Income** **Interim Audit**

I confirmed fees and charges for 21-22 were last reviewed approved at a meeting of the Full Council in May 2021 – Parish Office Charging Policy and Premises Hiring Agreement. Allotment charges were reviewed in August 22.

I have reviewed the Council's debtors ledger. At the time of the audit, debts outstanding stood at £4,609. There were no debts on the ledger older than 30.8.22.

I selected a sample of 5 income items from the ledger for the first 6 months of the financial year. For all items tested I was able to agree income collected to supporting documentation such as

- Council approved fees and charges schedules for room hire and allotments
- notification of solar energy feed in credit from SSE
- CIL receipt confirmed to statement provided by Bracknell Borough Council, and to bank transfer from the Borough Council.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

### **Final Audit**

Precept per box 2 to the accounts was £244,524 (21-22 £234,278). This has been agreed to third party documentation provided by central government.

Income per box 3 to the accounts was £593,026 (21-22 £412,905). The increase is due to more CIL income this financial year.

I tested a further sample of income transactions from the cashbooks for months 6-12 of the financial year. For all transactions tested I was able to confirm

- Cashbook transaction checked to receipt at bank
- Invoice agreed to relevant schedule of fees and charges or other supporting documentation ( approved fees and charges for cemeteries / remittance advice for CIL/other approved fees and charges.
- VAT accounted for correctly

I reviewed the sales ledger at 31.3.23. Debtors stood at £5324. Only one debt was more than a month old, a £1400 invoice for clearance of an allotment. I am satisfied that the sales ledger is properly managed.

I am satisfied this control objective has been met.

### **F. Petty Cash**

The Council has no petty cash.

### **G: Payroll**

#### **Interim Audit**

Payroll is processed by a payroll agency. All changes and overtime information are sent to the agency each month. Pay is then processed by the agency, payroll is sent to the Council and payment is processed following normal payment procedures.

I tested the August 2022 payroll in detail. I was able to agree the payroll posted to the general ledger back to the monthly payroll summary prepared by the payroll bureau. I also confirmed that payments made to pension providers and HMRC agreed to the payroll summary supplied by the payroll bureau. I confirmed by review of bank statements that payments were made promptly. I selected 3 members of staff and agreed payments made to officers back to payslips. I recalculated gross pay and confirmed this could be agreed to annual staff pay award letter or contract of employment.

### **Final Audit**

Staff costs per box 4 to the accounts were £128,071 ( 21-22 £116,897)

I confirmed box 4 only contains staffing costs ( salary / HMRC and pensions). No further transaction testing was carried out at the final audit, sufficient assurance was obtained at the interim.

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

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

### **H. Assets and Investments**

Fixed Assets per box 9 to the accounts were £1,061,175 ( 21-22 £1,042,417)

The asset register has now been transferred on to the Edge accounting system. I confirmed the fixed asset balance in the accounts to the schedule of assets recorded on Edge.

A variety of items have been added to the asset register, including defibrillators, office equipment and fencing. These have been correctly added to the asset register at cost.

### **I: Bank Reconciliations**

#### **Interim Audit**

Reconciliations for all bank accounts are carried out regularly and in accordance with regulations. This is clearly evidenced by the reconciliation history on the Council's accounting system. I reperformed September 2022 bank reconciliations, see table below.

**Table I** - Internal Audit review of bank reconciliations September 2022

Bank Account	Cashbook Balance 30.9.22	Audit Work Completed
Barclays Current	3790.54	Cashbook agreed to bank statement. Confirmed by review of Edge accounting system that reconciliations have been completed each month in 22-23
Barclays Business Reserve	236667.01	Cashbook agreed to bank statement. Confirmed by review of Edge accounting system that reconciliations have been completed each month in 22-23
Business Reserve 2	464.64	Cashbook agreed to bank statement. Confirmed by review of Edge accounting system that reconciliations have been completed each month in 22-23
Lloyds 32 Day	1440902.51	Cashbook agreed to bank statement. Confirmed by review of Edge accounting system that reconciliations have been completed each month in 22-23
Lloyds Business	81663.36	Cashbook agreed to bank statement. Confirmed by review of Edge accounting system that reconciliations have been completed each month in 22-23
nat west bonus saver	125594.74	Cashbook agreed to bank statement. Confirmed by review of Edge accounting system that reconciliations have been completed each month in 22-23
Nat West Current	1050	Cashbook agreed to bank statement. Confirmed by review of Edge accounting system that reconciliations have been completed each month in 22-23



Public Sector Deposit	100595.26	Cashbook agreed to bank statement. Confirmed by review of Edge accounting system that reconciliations have been completed each month in 22-23
Unity Current	905.7	Cashbook agreed to bank statement. Confirmed by review of Edge accounting system that reconciliations have been completed each month in 22-23
Unity Instant Access	100348.38	Cashbook agreed to bank statement. Confirmed by review of Edge accounting system that reconciliations have been completed each month in 22-23
<b>Total</b>	<b>2091981.63</b>	

The Council has cash holdings in excess of £2 m. More than £1.5m of this is held at Lloyds Bank . The Council has resolved to leave monies with Lloyds, this should be kept under review in line with the requirements of the investment strategy. Regular review of returns on investments are more important now, given the increases in returns available as interest rates increase.

Bank reconciliations are reviewed periodically as part of checks carried out by the Internal Controller. However, there is no signed evidence of review of the bank reconciliations. I consider this an important check to ensure separation of duties in the payment and bank reconciliation system. I recommend that bank reconciliations for all accounts should be reviewed by a councillor who is not a bank signatory at least once a quarter. This should be evidenced by signature on the bank reconciliations and bank statements.

### **Final Audit**

Cash per box 8 to the accounts is was £2,090,693 ( 21-22 £1,551,167). The Council has no loans outstanding.

I reperformed all bank reconciliations for 31 March 2023. I was able to confirm that the cashbook balance on the Edge accounting system agreed to bank statements for all bank accounts held by the Council. There were no reconciling items.

The reconciliations had been signed off as prepared by the RFO, with evidence of review on the reconciliations and the bank statements. The review was completed on 11 April by Councillor Leake.

I am satisfied this control objective has been met.

## **J. Year-end accounts**

Binfield PC has produced accounts on an accruals basis, this is required as income / expenditure is above £200k. A reconciliation between Box 7-8 of the accounts has been prepared, and creditor and debtor listings support this reconciliation.

An explanation of year-on-year variances has also been prepared and provides detailed explanations for review by external audit.

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**

## **Interim Audit**

As a larger Council, with income / expenditure in excess of £200K, Binfield is required to follow the 2015 Transparency Code. The Council meets this code by publishing financial data on the transparency page on the website. I sample checked data reported on this webpage, and I am satisfied that the Council is largely compliant with requirements of the Code. I have one minor recommendation. The Transparency Code requires that the website should publish the following for each grant award made;

- value and purpose of grant, and period to be covered by the grant

This information should be published on the Council website.

## **Final Audit**

I confirmed that expenditure data was up to date, payments published to the end of quarter 4 22-23. Grant information has been expanded to include the purpose of grant awards

## **M: Exercise of Public Rights - Inspection of Accounts**

Inspection periods for 21-22 accounts were set as follows

Inspection - Key date	2021-22 Actual
<b>Accounts approved at Full Council</b>	10 May 2022 Full Council
<b>Date Inspection Notice Issued and how published</b>	1 June
<b>Inspection period begins</b>	6 June
<b>Inspection period ends</b>	15 July
<b>Correct length</b>	Yes - 30 working days

I can confirm that regulations were followed in this respect and that the Council can therefore sign off that it has met control objective 4 on the annual governance statement – inspection rights.

## **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 is also published, dated 22 August 2022, before the statutory deadline of 30 September. There is an archive of financial data on the Council website, including AGAR reports from previous years, as required by regulations.

## **O. Trusteeship**

No trusts.

I would like to thank Amanda for her assistance with the audit, and continued hard work. If you have any questions, please do not hesitate to contact me. I attach my invoice, and internal audit report from the AGAR, and look forward to working with you again.

Yours sincerely



Mike Platten CPFA

### Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
The Council is dependent on the RFO for maintenance of the Finance system,	Consideration should be given to setting up more officers as users of the Edge system, and training them in how to use elements of the Finance system.	<b>Admin Officer has an increased role with Edge and has access to system.</b>
There is no signed evidence of review of the bank reconciliations. I consider this an important check to ensure separation of duties in the payment and bank reconciliation system.	I recommend that bank reconciliations for all accounts should be reviewed by a councillor who is not a bank signatory at least once a quarter. This should be evidenced by signature on the bank reconciliations and bank statements.	<b>Year end bank reconciliation signed off by councillor</b>
Financial Regulations state that official orders should be issued for all work, goods and services. This is not happening at present.	The Council should review purchase order processes and ensure these are issued to suppliers where appropriate.	<b>Now using the purchase order modules within Edge.</b>
Financial Regulations require an approved payments report to be signed by 2 councillors once payments have been approved at a meeting of Full Council.	This document is produced but not signed at present. It is recommended that the Financial regulations are reviewed to ensure that they are consistent with the payment process in place at the Council.	<b>Amended the financial regulations to reflect actual process.</b>

**No recommendations at final audit**

## APPENDIX B

### **Note for External Audit - Areas Marked as No or Not Covered on Internal Audit Report**

#### **F: Petty Cash**

The Council has no petty cash.

#### **K: Exemption from Limited Assurance Review**

The Council had a limited assurance review in 21-22.

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

No Trusts