

Ceri Rance

Clerk to Binfield Parish Council

24 October 2022

Dear Ceri

Binfield Parish Council - Interim Internal Audit 2022-23

Following the virtual interim audit completed during the week of 20 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 22-23 Annual Governance and Accountability Return (AGAR). I covered the following at this visit:

- Review of opening balances and reporting of 21-22 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, and I have identified no issues that are likely to impact on the year end internal audit report in the AGAR. I have 4 minor recommendations to raise, these are at Appendix A.

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.

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

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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.

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

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

C. Risk Management & Insurance Interim Audit

The Council has a risk management strategy in place and monitors and reviews risk on an ongoing basis. The RFO has confirmed that formal review of the risk assessment is planned for January Full Council following one or more working party meetings. I will review the risk assessment at my final 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

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there is proper back up, and that the Council would be able to access backed up accounting data.

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 virements 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.

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

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- 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.

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.

H. Assets and Investments

Tested at year end audit.

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
Total	2091981.63	

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.

J. Year-end accounts

Year-end 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

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 will test in detail at year end.

M: Exercise of Public Rights - Inspection of Accounts

Inspection periods for 21-22 accounts were set as follows

Inspection - Key date	2021-22 Actual
Accounts approved at Full Council	10 May 2022 Full Council
Date Inspection Notice Issued and how published	1 June
Inspection period begins	6 June
Inspection period ends	15 July
Correct length	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.

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 I will be in touch in February to agree plans for the year end audit .

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