



6 Uplands Road  
Farnham GU9 8BP

Ally Wickham  
Clerk to Binfield Parish Council

20 April 2021

Dear Ally

**Binfield Parish Council - Internal Audit 2020-21**

**Final Audit Report**

The internal audit of Binfield Parish Council for the 2020-21 financial year is now complete. I am pleased to be able to report that I have signed off the attached internal audit report with no comments. The final audit was again carried out remotely due to pandemic restrictions.

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 2020-21.

The audit was carried out in two stages. The interim audit carried out remotely on 4 November 2020 concentrated on in year financial transactions and governance controls. The final audit was carried out remotely, due to Covid 19 restrictions. This work was carried out during the week commencing 12 April 2021 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 during these difficult times.

## **A. Books of Account**

### **Interim Audit**

The Council records 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.

I checked the brought forward balances for cash and debtors / creditors against the audited prior year annual return. I can confirm these have been brought forward correctly.

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 2020 submitted to HMRC. I checked that balances in the return could be agreed to schedules produced by the accounting system. I note that HMRC overpaid the Q2 refund by £135.

The external auditors (PKF) issued a clean audit certificate on 3 November for 2019-20. The RFO should ensure that this is reported at the next available Full Council meeting.

I have provided advice to the RFO on checks that should be carried out by councillors carrying out periodic financial control checks. These have not occurred for the past 6 months due to Covid restrictions. These should be restarted, using email as basis for carrying out and evidencing work completed.

I confirmed my final audit report was reported to the June 2020 meeting of Full Council and an appropriate minute recorded.

### **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 2019-20 accounts as published on the Council website.

Arithmetic within the draft accounts was checked and found to be correct, bar a £1 rounding error. This was corrected by the RFO.

I confirmed that the year-end VAT return has been completed. This will be submitted to HMRC in the next few days. VAT due per the balance sheet has been agreed to the relevant nominal ledger account 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 2020 meeting of Full Council.

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

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

The Council’s financial regulations, standing orders and members code of conduct have been reviewed and updated, this was noted at May 2020 meeting of Full Council. The Binfield documents are based on NALC templates. The Council has correctly taken into account recent changes to the NALC financial regulations template.

The Council has a well-developed process for making payments to suppliers. Invoices are sent to the parish office, where they are checked against orders by the appropriate officer. Invoices are then added to a monthly payment pack produced from the accounting systems, which included all invoices for payment, together with a summary payment sheet. Payments are approved at the monthly council meeting. 2 councillors review invoices for payment and evidence this review on the payment listing. Payments are set up at bank by the RFO and authorised at bank by the Chairman. This is a robust system and I make no recommendation for change. I note that the Council has implemented recommendations I raised at my interim audit in 2019-20.

- Financial Regulations have been amended to record the detail of the payment authorisation system in place at the Council. I have checked this to the Financial Regulations approved in May 2020
- the Council now records value of payment run being approved by the Council when minuting monthly approval of payments.

I selected a small sample of high value transactions from the ledger from the first 7 months of the financial year.

| <b>Supplier</b>  | <b>Payment £</b> | <b>Payment date</b> |
|------------------|------------------|---------------------|
| Bracknell Forest | 4,747            | 15.4.20             |
| ESC              | 30,792           | 21.8.20             |
| Calibra          | 2,968            | 9.9.20              |
| ESC              | 43,110           | 29.9.20             |

I was able to confirm that:

- Transactions could be agreed back to invoice
- Payment approved at a meeting of the Council
- VAT accounted for appropriately.

I have confirmed with the RFO that the ESC contract of £73K has been submitted through Contract Finder, and that 4 quotes were received for the work before it was placed with ESC. I am also satisfied that this appointment has been properly approved at Amenity Committee with final approval at Full Council. Financial Regulations have been complied with in the letting of this contract.

### **Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £253,413, up from £195,708 in 2019-20.

As a larger Council, with income / expenditure in excess of £200K, Binfield is required to follow the 2015 Transparency Code. Binfield meets this code by publishing financial data on the transparency page on the website. I sample checked data reported on this webpage, and whilst I am satisfied that the Council is largely compliant with requirements of the Code, some information reviewed is not up to date:

- Grant information published is for 19-20 financial year
- Expenditure over £500 has not been updated since June 2020

I understand that this information is in hand and will be updated after the April meeting of Full Council.

I selected a further sample of transactions from the expenditure over £500 report on Edge, for the last 5 months of the financial year. For all transactions tested I was able to confirm that:

- Transactions could be agreed back to invoice
- Payment approved at a meeting of the Council
- VAT accounted for appropriately.

My testing include a payment of £37,300 to Bowmen of Warfield. I was able to agree this to grant award resolution at July 2020 meeting of Council.

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

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

The Council has a risk assessment working party, which reviews the Council's risk strategy and risk assessment. I have reviewed the risk register and it covers appropriate risks for a Council of this size and activity level, notably covering risks around CIL which are particularly relevant to Binfield. The risk register is an active document, and is subject to ongoing review. Formal acceptance of the risk register was recorded at the June 9 meeting of Full Council.

The Council prepared a comprehensive Covid 19 risk assessment, following guidance from NALC, and this was reported to Full Council on May 12<sup>th</sup>.

The Council is in year two of a 3-year deal with Axa insurance. I have viewed the insurance policy and can confirm it is valid until 30 September 2021. I checked asset cover and can confirm that asset cover on the insurance schedule is consistent with the fixed asset register.

The RFO has confirmed to me that the asset register is currently being updated with new assets created by the York Road project. The insurance schedule will be updated once play equipment and fencing is installed.

### **Final Audit**

The Council risk assessment has been subject to further review in 2020-21. Council approval of the risk assessment was confirmed in a minute of the Full Council meeting on 9<sup>th</sup> March 2021.

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

### **Interim Audit**

The Council is in the process of preparing the budgets for 2020/21. A budget setting timetable has been agreed and was reported to Council on 13 October. I am satisfied that plans are in place to ensure budget and precept will be approved in time for precepting authority's deadlines

I have confirmed that regular budget monitoring reports are issued to councillors at each Full Council meeting. I reviewed the budget report as presented to Councillors in October 2020. The monitoring report was comprehensive, providing clear information on spend and income recorded on the ledger. This is compared against the approved budget, with an additional column showing virements and budget amendments approved in the course of the financial year. The budget has been amended to reflect the estimated income of Covid 19 on income and expenditure streams, the amendments appear realistic. My review identified no significant overspends.

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. This reserves statement is used to monitor capital projects.

## **Final Audit**

Reserves at year end were as follows

| <b>Reserve Fund</b>         | <b>Balance at 31.3.20 (£)</b> | <b>Balance at 31.3.21 (£)</b> |
|-----------------------------|-------------------------------|-------------------------------|
| General Fund                | 86546                         | 103,906                       |
| Open Spaces Maintenance     | 28679                         | 29046                         |
| Play and Recreation         | 15163                         | 3475                          |
| Elections                   | 9711                          | 11710                         |
| Binfield Neighbourhood Plan | 2853                          | 5353                          |
| Office                      |                               | 1000                          |
| Village Projects            |                               | 5000                          |
| CIL                         | 600219                        | 1133296                       |
| Lottery Fund                | 4163                          | 3049                          |
| <b>TOTAL</b>                | <b>747334</b>                 | <b>1295836</b>                |

General reserves at year end were 46 % of precept, which is in line with best practice advice. Earmarked reserves have increased by over £500K, due to the receipt of CIL income. This has been correctly posted to an earmarked reserve.

The Council continues to monitor CIL accounts closely. Councillors receive a CIL update at every council meeting. Councillors have addressed the large amount of funds held by developing new strategy pillars. Work has been delayed due to Covid-19 but the Council has provided evidence to me that is developing plans to make use of CIL receipts.

Examples include:

- the Natural Environment Pillar progressed via the Amenity Committee.
- Grant payments made to local organisations
- February Council considered the Call for Sites.
- Council has received confirmation from Borough that the parish is able to purchase land with CIL funds

I have confirmed by review of minutes that the Council approved the budget for 21-22 at the December meeting of Full Council. The precept for the next financial year was approved at the January meeting of Full Council.

## **E. Income Interim Audit**

Income from lettings has been reduced due to the impact of Covid 19 on the Council. There are a small number of transactions in the year to date, so I will complete my testing

in this area at my final audit. However, I note that fees and charges for 2020-21 were agreed at the February 2020 meeting of Full Council.

The Council received 2 large CIL payments in the first half of 2020-21. I have confirmed income recorded on the ledger to third party documentation.

|   |          |   |
|---|----------|---|
| Transaction 800 – received from Bracknell Borough Council 9.4.20  | £388,861 | Agreed to CIL statement from Bracknell Forest Borough Council |
| Transaction 856 – received from Bracknell Borough Council 7.10.20 | £297,463 | Agreed to CIL statement from Bracknell Forest Borough Council |

### **Final Audit**

Precept per box 2 to the accounts was £223,459 (2019-20 £204,004). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £700,722 (2019-20 £591,030). The increase is due to higher Community Infrastructure Levy (CIL) income in 2020-21.

I tested a sample of income transactions from the second half of the financial year selected at random from the income transaction listing on the Council’s accounting system, These were agreed to supporting documentation ( VAT returns or invoice)

I am content that this control objective has been met

### **F. Petty Cash**

Petty cash is run on a spread sheet with a nominal float of £50. I have confirmed by enquiry with the RFO that adequate reconciliation processes are in place I will count petty cash when I next visit the Council, however, I am satisfied proper controls are in place over this small balance.

### **G: Payroll**

Staff costs per box 4 to the accounts were £ 122,265 (2019-20 £107,041)

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 2020 payroll in detail. I tested a sample of 4 members of staff, I was able to agree the payroll posted to the general ledger back to the monthly payroll prepared by the payroll bureau. I note from minutes that there has been no increase to staff pay in 20-21, so I have placed reliance on testing completed last year on accuracy of gross pay.

I am content that this control objective has been met

## **H. Assets and Investments**

### **Final Audit**

Fixed Assets per box 9 to the accounts were £935,626 ( 2019-20 £932,324).

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.

Changes in asset register value year on year are supported by schedules of assets added and removed from the asset register, again at cost. The change in balance in 2020-21 is the result of

- assets added to asset register £67,518. Main items were tennis court resurfacing ( £30,446 – I have confirmed by check to invoice that this has been correctly added to the asset register at cost)
- Assets removed from asset register £ 64,216. Main item was old tennis court surface ( £20,751. I have checked this to the asset register)

I understand that the Council is considering moving the asset register on the asset register module of the Edge accounting system. This would be sensible, given the number of assets held by the Council, and the potential for additions purchase with CIL monies.

However, I am content that this control objective has been met.

## **I: Bank Reconciliations**

### **Interim Audit**

The Council has 9 active bank accounts, with deposits held across these accounts in order to spread risk and maximise returns. Bank statement balances on these accounts were as follows on 3.11.20



| Account Name                      | Balance 3.11.20 |
|-----------------------------------|-----------------|
| Barclays Business Current Account | 20960.99        |
| Barclays Business Reserve         | 122642.69       |
| Business Reserve 2                | 464.41          |
| Lloyds 32 day notice account      | 919416.71       |
| Lloyds Business Account           | 298376.74       |
| Nat West Bonus Saver              | 25503.91        |
| Nat West Current Account          | 50              |
| Public Sector Deposit Fund        | 100019.41       |
| Treasury Deposit                  | 0               |
| Unity Bank Current Account        | 0               |
| Unity Bank Instant Access Account | 0               |

Reconciliations for all bank accounts are carried out regularly and in accordance with regulations. This is clearly evidenced in the Council's bank reconciliation file. The September 2020 bank reconciliation was tested in detail. I confirmed the following.

- The face of the current account bank statement and the bank reconciliations had been signed off by the reviewing councillor
- All balances on the bank reconciliations were agreed back to bank statements / cashbooks
- Current account bank reconciliation was reported to a meeting of the Full Council, and this review was minuted.

I note that the Council has implemented my recommendation from last year, and now all bank account reconciliations are presented to Full Council meetings.

I did not review the reconciliation on the Public Sector Deposit Fund at this audit, this will be reviewed at my year end audit

The Council has cash holdings in excess of £1.4 m, the majority of this held with Lloyds Bank. I note that a review of cash and investment holdings is currently under way, with a report being taken to members in November 2020. The Council should look to move some of the Lloyds Bank deposits to other financial institutions as recommended by this report, in order to spread risk.



The Council adopted an investment strategy in October 2019, as required by “Statutory Guidance on Local Government Investments.” The strategy is published on the Council website, as required by regulations. The strategy must be reviewed annually, this review should be completed in the next few months.

## Final Audit

Cash per box 8 to the accounts was £1,304,160 ( 2019-20 £760,587) The increase is explained by the receipt of CIL monies now held in the CIL reserve on the balance sheet. Bank balances at year end were as follows:

| <b>Bank Account</b>         | <b>Statement Balance on 31.3.21</b> | <b>Reconciliation work completed</b>                            |
|-----------------------------|-------------------------------------|---|
| Barclays Current            | £4,339                              | Agreed to cashbook and to bank - no significant adjusting items |
| Barclays Reserve            | £55,648                             | Agreed to cashbook and to bank - no adjusting items             |
| Business reserve 2          | £464                                | Agreed to cashbook and to bank - no adjusting items             |
| Lloyds 32 day               | £819,683                            | Agreed to cashbook and to bank - no adjusting items             |
| Nat West Current            | 1050                                | Agreed to cashbook and to bank - no adjusting items             |
| Unity Instant Access (NEW)  | 100,050                             | Agreed to cashbook and to bank - no adjusting items             |
| Unity Current (NEW)         | 1013.7                              | Agreed to cashbook and to bank - no adjusting items             |
| Public Sector Deposit (NEW) | 100,054                             | Agreed to cashbook and to bank - no adjusting items             |
| Lloyds business             | £96,351                             | Agreed to cashbook and to bank - statement dated 31 march -     |
| Nat West Bonus              | £125,508                            | Agreed to cashbook and to bank - no adjusting items             |

|                  |                   |   |
|------------------|-------------------|---|
| Treasury Deposit | £0                | Agreed to cashbook and to bank - no adjusting items |
| <b>TOTAL</b>     | <b>£1,304,160</b> |   |

I am satisfied that all bank accounts have been reconciled correctly and that reconciliations could be agreed back to bank statements and the cashbook on Edge.

The RFO provided an update on investment decisions at the November meeting of full Council. The current spread of balances across accounts reflects information reported to Council at this date.

I note that the balance held in the Lloyds 32 day account is now in excess of £800K, due to CIL receipts in year. The Council may wish to consider whether it wants to hold so much money with a single institution, although I accept there is limited scope to make a return on deposits at present.

At the time of my audit, the bank reconciliations for 31 March 2021 had not yet been subject to evidenced review by the reviewing councillor. This will be completed in due course. I confirmed that the quarter 3 bank reconciliations had been reviewed by Council.

**J. Year-end accounts**

Binfield 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 can be agreed to supporting schedules of debtors and creditors.

An explanation of year on year variances was being prepared to be sent to the external auditors, although I have not reviewed this.

I am satisfied this control objective has been met.

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

Inspection periods for 2019-20 accounts were set as follows

| Inspection - Key date                           | 2019-20 Actual                    |
|---|-----------------------------------|
| Accounts approved at Full Council               | 12 May 2020 Full Council          |
| Date Inspection Notice Issued and how published | 19 May - noticeboards and website |
| Inspection period begins                        | 15 June                           |
| Inspection period ends                          | 24 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 2019-20 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 4 November 2020, before the statutory deadline of 30 November.

**O. Trusteeship**

No trusts.

If you have any questions, please do not hesitate to contact me. I attach the completed internal audit report for the AGAR and my invoice for your consideration.

Yours sincerely



Mike Platten CPFA

**Points Forward – Action Plan - Final Audit**

| <b>Matter Arising</b>  | <b>Recommendation</b>   | <b>Council Response</b> |
|--|---|-------------------------|
| <p>I sample checked data reported on the transparency page of the website. Whilst I am satisfied that the Council is largely compliant with requirements of the Code, some information reviewed is not up to date:</p> <ul style="list-style-type: none"> <li>- Grant information published is for 19-20 financial year</li> <li>- Expenditure over £500 has not been updated since June 2020</li> </ul> | <p>I understand that this information is in hand and will be updated after the April Council meeting.</p>   |                         |
| <p>I understand that the Council is considering moving the asset register on the asset register module of the Edge accounting system.</p>  | <p>This would be sensible, given the number of assets held by the Council, and the potential for additions purchase with CIL monies</p>   |                         |
| <p>I note that the balance held in the Lloyds 32 day account is now in excess of £800K, due to CIL receipts in year.</p>   | <p>The Council may wish to consider whether it wants to hold so much money with a single institution, although I accept there is limited scope to make a return on deposits at present.</p> |                         |
|  |   |                         |