

Sarah Muteham

Boughton under Blean Parish Council

24 May 2024

Dear Sarah ,

**Boughton under Blean Parish Council - Internal Audit 2023-24**

**Final Audit**

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) for with no comments.

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 remotely on 17 November, this concentrated on in year financial transactions and governance controls. The final audit was carried out remotely on 24 May and concentrated on the statement of accounts and balance sheet.

☎ 07958 990310

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

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

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

### **Interim Audit**

The Council maintains financial records on an excel spreadsheet. The Council may wish to move to an accounting application such as Scribe or RBS Alpha going forward. For a Council of the size of Boughton I believe this would:

- Save time for office staff ( for example in producing financial reports or the VAT return)
- Reduce risk of manual error
- Improve financial reporting available to the Council.

Payroll is outsourced to an accountancy company.

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. All documentation to support transactions could be readily located using referencing within the accounting system.

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 2023 submitted to HMRC. I have agreed VAT claimed £7274 to a schedule of transactions downloaded from the accounting spreadsheet. The refund was paid into bank on 15 October. I have checked the receipt into the cashbook.

I checked the brought forward balances on the cashbook against the audited prior year annual return. I can confirm these have been brought forward correctly. Opening cash on the bank reconciliation (£51,709) has been checked to the audited accounts for 22-23. By reperforming the bank reconciliation for the year, I can confirm that the opening balances are correct.

The external auditors issued a clean audit certificate for 22-23, so there is nothing to be taken into consideration this financial year.

### **Final Audit**

The accounting statements have been agreed back to the year end cashbook. All comparatives reported in the financial statements have been agreed back to the audited 22-23 accounts, as published on the Council website. I tested arithmetic within the cashbook, and I am satisfied that the accounting statements and year end bank reconciliation are correctly calculated.

I confirmed that the VAT return for period 1 January to February 24 has been completed and submitted to HMRC. VAT of £3,569 was reclaimed. VAT reclaimed has been agreed to the excel cashbook – I am satisfied VAT reclaimed is complete and supported by a schedule of expenditure transactions.

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My interim report was considered at the December Council meeting ( minute 134G).

**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 (May 23) and Financial Regulations (July 23) have both recently been reviewed at a Full Council meeting. Both documents are based on NALC templates. The Council are 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 the payment of invoices from suppliers. Invoices come to office, these are inspected by the Clerk, who next prepares a payment list for inclusion in the agenda for the next meeting. Payments are approved at the meeting and the payment list is signed off by the Chairman, alongside the bank reconciliation. The next step is payment of invoices at bank. Payments are set up by the Clerk, and approved on line by two councillors. This system is compliant with financial regulations, and there is adequate separation of duties in the payment authorisation process.

I selected a sample of transactions from the ledger, for the first 7 months of the financial year. I was able to confirm for all transactions that:

- Transactions could be agreed back to invoice, or minuted approval to pay grant
- VAT accounting correct
- Expenditure appropriate for the Council
- Transaction reported on payment list approved by councillors in minutes
- Relevant payment list signed off by chairman

For one payment I confirmed to bank data that the payment was set up by the Clerk and approved by 2 councillors.

I have one recommendation. A list of direct debits and standing orders should be approved annually at a Council meeting, as required by financial regulation 5.6.

## **Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £ 88,717, down from £88,553 in 22-23 .

I tested 4 further payments and repeated the tests set out at the interim audit. For all payments tested I was able to confirm that financial regulations had been followed.

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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 has a risk assessment document in place and monitors and reviews risk on an ongoing basis. The risk register was reviewed by the Full Council meeting in September, and a minute records this review (73L). I have reviewed the risk assessment, and it is a simple document that is due for an overhaul. I therefore recommend that the risk assessment is reviewed in the course of 24-25, with the aim of producing a more comprehensive document, that links to other processes such as insurance purchase and budget setting,

The Council is insured by Zurich Municipal, on a standard council insurance policy. I have reviewed the policy document and can confirm it is in date, with an expiry date of May 2024. Fidelity cover is set at £250K and asset cover is in place, with the following main assets insured

<b>Asset Category</b>	<b>Value Insured (£)</b>
Buildings	32K
Playground	192K
War Memorial	60K

Computer data is backed up on to a google drive,. The Chairman as well as the Clerk have access to this drive. I am satisfied that adequate back up arrangements are in place.

**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 has commenced the process of preparing the budgets for 24-25. A draft budget has been prepared by the Clerk after a review of standing expenditure, and review of budget plans by committees. The draft budget will be reviewed by Council in November, with approval of budget and precept due at the December Council meeting. I am satisfied that the Council has plans in place to meet precepting authority deadlines.

The Clerk confirmed that budget monitoring reports are produced for council meetings quarterly. I have confirmed that quarterly budget monitoring reports continue to be issued to councillors at each Full Council meeting. I confirmed that the quarter 2 report was considered at the October meeting (minute 100C). I reviewed the budget monitoring file at 31 October 2023. At this time, no cost centres appeared overspent, and income was ahead of plan, due to unbudgeted grant income.

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## **Final Audit**

Reserves at 31 March 2024 were £48,693 (22-23 £51,709).

Earmarked reserves at 31 March 24 were as follows:

<b><u>EARMARKED RESERVES:-</u></b>	<b><u>£21,124.66</u></b>
Harry Wheeler	£2,500.00
Defibrillator	£404.41
Cost of living crisis	£1,538.44
Kerbing	£6,000.00
Tarmac at Bull Lane	£5,570.81
Football pitch upgrades	£3,200.00
Cemetery legacy funds	£1,911.00

These are set aside to fund future projects identified by the Council.

General reserves at year end were £27.5K. This represents 40% of precept, which is at the mid-point of recommended levels set out in the NALC Practitioners' Guide.

Reserves should be formally reviewed by Council on an annual basis and this review should be minuted.

The budget and precept for 24-25 were reviewed and approved at the Full Council meeting on 12 December 2023 ( minute 134D for budget, 134E for precept) A precept of £90,000 was set. The budget is recorded as an appendix to minutes, in sufficient detail for a council of this size.

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

## **Final Audit**

Precept per box 2 to the accounts was £70,000 (22-23 £65,000). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £35,328 (22-23 £22,049).

I reviewed a small sample of income credits from the second half of the financial year. For transactions selected I was able to check to remittances from grant giving bodies and to bank statements .

**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.

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**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 £19,627 ( 22-23 £13,987).

Payroll is processed by an external accountancy company. All changes and overtime information are sent to the accountant each month. Pay is then processed by the accountant, payroll is sent to the Council and payment is processed following normal payment procedures.

I tested the September 2023 payroll in detail. I was able to agree the payroll posted to the general ledger back to the monthly payroll prepared by accountant . I tested the Clerks pay, and agreed gross pay per payslip to contracted hours x pay award in force at time of the payment. I note that the Clerk has a revised contract of employment from November 23.

At the final audit I confirmed that box 4 to the accounts only included costs relating to the employment of staff, as required by regulations – expenses and payroll costs correctly accounting for elsewhere, in box 6 on accounting statement.

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

### **Final Audit**

Fixed Assets per box 9 to the accounts were £178,759 ( 22-23 £174,156)

The figure in the accounts has been agreed to the fixed asset register, which is recorded on an excel workbook. The asset register correctly accounts for all assets at cost. This follows accounting rules set out in the Practitioners' Guide. The RFO provided details of changes to the asset register in 23-24 as follows

- Assets added to asset register - £4.6k – main items - goalposts / benches/ litterbins

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

### **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 spreadsheet, and within minutes of council meetings. I reformed the October 2023 bank reconciliation. I recalculated the cashbook balance. I was then able to check this balance into the October bank reconciliation. Bank statements were all checked, and there is evidence of councillor review on the bank reconciliation and on individual bank statements.

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I am satisfied that bank reconciliations are being performed in accordance with the requirements of financial regulations.

## **Final Audit**

Cash per box 8 to the accounts was £48,693 (22-23 £51,709)

I reformed 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 statements

**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.

**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**

The requirements of the Transparency Code 2015 do not specifically apply to this council, as income and expenditure are above £25k and below £200K, thresholds at which transparency obligations are in place. I confirmed that the Council is compliant with AGAR publication requirements - see section N below, and minutes and agendas are published and kept up to date, together with extensive financial data, such as payments made, budgets and internal audit reports. I am satisfied that the Council met the requirements of this control objective.

## **M - Arrangements for Inspection of Accounts**

Inspection periods for 22-23 accounts were set as follows

<b>Inspection - Key date</b>	<b>22-23 Actual</b>
<b>Accounts approved at Full Council</b>	9 May Full Council
<b>Date Inspection Notice Issued and how published</b>	18 June
<b>Inspection period begins</b>	19 June
<b>Inspection period ends</b>	28 July
<b>Correct length</b>	Yes exactly 30 days

The Council complied with regulations in this area.

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## **N: Publication requirements 2022-23 AGAR**

The required pages of the AGAR and the external audit certificate are published on the Finance page on the Council website. The external audit certificate is dated 7 September. The Council received a clear audit certificate last year. The Conclusion of Audit certificate is also published, dated 8 September, before the statutory deadline of 30 September. The external audit certificate was reported to the October meeting of Council (minute 100D). An archive of AGAR reports is published, as required by regulations. The Council met publishing requirements relating to the 22-23 audit.

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

The Council is the sole trustee of Boughton under Blean Village Hall – charity number 257525. Separate meetings are held for the charity.

The 22-23 annual return and accounts were submitted to the Charity Commission on the deadline of 31 January 2024. I have reviewed the accounts, these are broadly compliant with the requirements of the Charity Commission, the accounts have also been subject to an independent examination, required for a charity breaching the threshold of £25K income or expenditure.

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

☎ 07958 990310

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

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## Appendix A – Recommendations

### Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
The Council may wish to move to an accounting application such as Scribe or RBS Alpha going forward.	For a Council of the size of Boughton I believe this would: <ul style="list-style-type: none"> <li>- Save time for office staff (for example in producing financial reports or the VAT return)</li> <li>- Reduce risk of manual error</li> <li>- Improve financial reporting available to the Council.</li> </ul>	Clerk has signed with Scribe to trial the application.
I have reviewed the risk assessment, and it is a simple document that is due for an overhaul.	I therefore recommend that the risk assessment is reviewed in the course of 24-25, with the aim of producing a more comprehensive document, that links to other processes such as insurance purchase and budget setting	To be actioned in 24-25
Direct debits and Standing Orders	A list of direct debits and standing orders should be approved annually at a Council meeting, as required by financial regulation 5.6.	Actioned January 2024

### Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
Earmarked and General Reserves	Reserves should be formally reviewed by Council on an annual basis and this review should be minuted.	

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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

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