

Alison Ball

Clerk & RFO

Ewshot Parish Council

6 May 2022

Dear Alison

Ewshot Parish Council - Internal Audit 2021-22

Following completion of the final audit, the internal audit of Ewshot Parish Council for the 2021-22 financial year has now been concluded. I am pleased to be able to report that I have signed off all sections of the internal audit section of the Annual Governance and Accountability Return (AGAR) for 2021-22 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— 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 in the detailed report, together with the results of my internal audit work for 2021-22.

The audit was carried out in two stages.

- The interim audit was completed on 11 November 2021. This concentrated on financial transactions for months 1-6, and governance controls.
- The final audit was carried out on 5 May 2022. At this audit I reviewed the statement of accounts, balance sheet and year end transactions.

A - Appropriate books of account have been kept properly throughout the year Interim Audit

The Council continues to maintain accounting records on an excel workbook, which records individual transactions in linked tabs that produce a receipts and payment account, bank reconciliation and budget monitoring report. This is sufficient for this smaller council

I confirmed that the opening balances on the excel workbook at 1.4.21, as recorded on the opening balance sheet, could be agreed back to the audited annual return for 2020-21. Box 7 on the 2020-21 audited accounts was £63,295. This has been agreed to opening balances on the excel cashbook. The Council received a clear audit certificate in 20-21, but the external auditors required the clerk to make an adjustment to the accounts regarding the receipt of a grant and expenditure on a speed indicator device. I do not agree with the treatment advised, and I recommend that this is raised with the external auditors. I will assist the Clerk in this matter.

The Council had submitted a VAT return for the first 6 months of the financial year in August. This was agreed to a schedule of transactions derived from the accounting system. VAT refund of £841 was received on 28 October. The council is up to date with VAT Accounting.

I confirmed that my audit report for 2020-1 was properly considered at the June meeting of the Council and an appropriate minute recorded. It has been published on the Council website.

Final Audit

The accounting statements have been agreed back to the Council's excel workbook. All comparatives reported in the financial statements have been agreed back to the audited 20-21 accounts as published on the Council website.

I confirmed that the VAT return for period October 21 to February 22 has been completed and submitted to HMRC, I recommend that the Council aligns VAT claims to the financial year end and submits claims at the end of September and March going forward.

My interim report was considered at the Full Council meeting in November 2021 - minute 21/218 All recommendations were adopted and the Clerk's actions noted.

I am satisfied that the Council met this control objective.

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

Financial Regulations and Standing Orders have not yet been updated this financial year, but are due for review at the Full Council meeting in January 2022. As stated at the last audit the Financial Regulations should be amended to document the use of internet banking for payments to third parties

The Council approves expenditure via the annual budget process. Each month, the Council reviews the future expenditure to be made in the finance report circulated by the Clerk before each meeting of the Council. Payment approval is then minuted, supported by a detailed list of payments. Payments are made using electronic banking. The Clerk sets up the payments on the Council's bank account. These are then approved electronically by two of a panel of three councillors.

I tested a small sample of expenditure transactions. I was able to confirm the following for all transactions sampled:

- Cashbook entry could be agreed back to an invoice from the supplier
- VAT accounting correct
- Approval for the payment was recorded in a minute of a council meeting.
- Payment set up at bank by the Clerk and authorised by 2 councillors

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £31,548, up from £17,328 in 20-21.

I tested 3 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. For works on the play area, I confirmed that the Council had obtained 3 quotes, as required by Financial Regulations.

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

C - The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The Council is insured by Ecclesiastical, on a standard local council policy arranged by Came and Co. I reviewed the insurance certificate and confirmed it is in date with an expiry date of April 2022.

I have confirmed that the Council backs up computer remotely, with backups taken to the OneDrive plus periodic USB backup. Backup has been tested by the Clerk.

The risk assessment was reviewed and approved at the Full Council meeting in February 2022 (minute 22/18). Minor amendments were actioned.

I am satisfied that this control objective has been met.

D - The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Interim Audit

Budget setting for 2022-23 is under way. The Clerk has asked for projects to be brought forward by Councillors. The draft budget will be considered at the December meeting of Full Council, with final approval of precept and budget to be recorded at the January meeting. Following recommendations I raised at last audit, reserves balances should continue to be considered as part of budget planning for next year, with consideration being given to council projects, and the establishment of earmarked reserves to fund future projects.

Budget reporting occurs on a quarterly basis. I checked the quarter 2 report, which clearly set out the budget position of the council – this had been reviewed by councillors and signed off accordingly. I note that the grounds contractor budget line was overspent by £500. This is offset by an underspend on the repairs budget line, which was confirmed at the Council meeting, but not minuted. Going forward, discussion of budget variances should be recorded in minutes.

Final Audit

Reserves at 31 March 2022 were £61,200 (20-21 £63,295).

General reserves at year end were £19,835. This represents 66% of precept, which is at the higher end of recommended levels set out in the NALC Practitioners' Guide. I consider this general reserve balance to be in line with guidance for a council of this size.

Earmarked reserves of £41K are set aside to fund future projects and maintenance. Of this, £21K is held in the Play Area Reserve.

The budget and precept for 22-23 were reviewed and approved at the Full Council meeting in December 2021 (minutes 21/216 and 21/217). A precept of £32,276 was set.

I am satisfied that the Council met this control objective.

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 £29,746 (2020-21 £29,626). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £5,790 (2020-21 £2,813). I tested the following income transaction selected from the cashbook:

- Doras Green Contribution £3,267 - agreed to remittance advice from Hampshire CC

I am satisfied that this control objective has been met.

F - Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

No 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.

Final Audit

Staff costs per box 4 to the accounts were £6,083 (2020-21 £6,447).

I have tested Clerk's salary to contract at previous audits. Given the small percentage change, I consider I have sufficient audit assurance to confirm the clerk is paid in line with contracted rates of pay.

I am satisfied that this control objective has been met.

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

Final Audit

Fixed Assets per box 9 to the accounts were £114,552 (20-21 £113,932)

The figure in the accounts has been agreed to the fixed asset register. The asset register correctly accounts for all assets at cost or proxy cost (historic assets added to the register at a value of £1) This follows accounting rules set out in the Practitioners' Guide. Additions of bins have been added to the asset register at cost

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

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 each quarter , via the cashbook spreadsheet. I checked that bank reconciliations are subject to councillor review each quarter and that this review is evidenced. I was also able to confirm, by reference to minutes of council meetings, that the bank reconciliation is discussed regularly at Council meetings.

I re-performed the bank reconciliation for September 2021. I tested the following

- Confirmed balances back to bank statements
- Checked arithmetic
- Confirmed signature of councillor on bank reconciliation
- Confirmed the bank reconciliation had been noted at a Council meeting.

I am satisfied that the bank reconciliation recorded in the cashbook correctly states the financial position of the Council, can be agreed to bank statements, and has been reported to a Council meeting.

Final Audit

Cash per box 8 to the accounts was £61,200 (20-21 £63,295)

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 excel accounting pack .

The reconciliation had not been signed off at the time of my audit, but was due to be reported to the May meeting of Full Council. The Clerk confirmed that the reconciliation has been reviewed by a councillor and email approval confirmed.

I am satisfied that this control objective has been met.

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

Satisfactory – Accounts have been produced on a receipts and payments basis, this is appropriate as income and expenditure at the Council is below £200k.

An explanation of year-on-year variances has also been prepared, with detailed explanations for variances provided.

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

The requirements of the Transparency Code 2015 do not apply to this Council, as gross income and expenditure is below £200K. This test is therefore not applicable at this Council and the internal audit report will be marked as not covered

M – Inspection Periods

Interim Audit

Inspection periods for 20-21 accounts were set as follows

Inspection - Key date	2020-21 Actual
Accounts approved at Full Council	24 May 2021 Full Council
Date Inspection Notice Issued and how published	2 June noticeboards and website
Inspection period begins	3 June
Inspection period ends	14 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 – Compliance with Publishing Requirements 20-21 Accounts

Interim Audit

The Council has received the 20-21 external audit report. A clear opinion was reported, and a conclusion of audit notice was published on the website on 29 August 2021, before the deadline of 30 September. All relevant elements of the AGAR, including the external audit certificate, have been published on the Council website. The external audit report was reviewed at the September 2021 Full Council and an appropriate minute recorded.

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

No trusts

I would like to thank you for your assistance with the audit. I attach the internal audit report from the AGAR and my invoice, for your consideration. In the meantime, do not hesitate to contact me if you have any questions at all.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Platten', written in a cursive style.

Mike Platten CPFA

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
I note that the Grounds Contractor budget line was overspent by £500. This is offset by an underspend on the repairs budget line, which was confirmed at the Council meeting, but not minuted. ..	Going forward, discussion of budget variances should be recorded in minutes	Agreed
The external auditors required the clerk to make an adjustment to the accounts regarding the receipt of a grant and expenditure on a speed indicator device.	I do not agree with the treatment advised, and I recommend that this is raised with the external auditors. I will assist the Clerk in this matter.	Accounting guidance now amended so problem should not be repeated
Reserves	Following recommendations I raised at last audit, reserves balances should continue to be considered as part of budget planning for next year, with consideration being given to council projects, and the establishment of earmarked reserves to fund future projects.	Reserves statement prepared for year end

Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
VAT return dates	I recommend that the Council aligns VAT claims to the financial year end and submits claims at the end of September and March going forward.	