April Skies
Accounting

Christine Wooton
North Mymms Parish Council

13 June 2023

Dear Christine

North Mymms Parish Council - Internal Audit 2022-23

The internal audit of North Mymms 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.

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. Recommendations are at Appendix A, Appendix B lists tests not completed as they are not relevant to this Council.

The audit was carried out in two stages. The interim audit was carried out on 23 November, this concentrated on in year financial transactions and governance controls. The final audit was completed on 13 June 2023, this concentrated on the statement of accounts and transactions from the second half of the financial year.

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

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A. Books of Account

Interim Audit

The Council uses the Sage Cloud accounting package to record and report financial transactions of the Council and a review of the cashbook shows that all data fields are being entered. The accounting package includes sales ledger and purchase ledger, and the Council also uses sage payroll, as a direct feed into the general ledger. The Clerk and Assistant Clerk/Bookkeeper are the only officers with access to the system. I understand the Council has had some issues with the Sage system, around management of reserves, and system availability. The Council may wish to consider moving to an industry specific package as Rialtas / Edge or Scribe, these are better suited to parish councils.

My audit testing showed that supporting documentation could be readily located from records recorded on Sage , and all key reconciliations were up to date.

I tested opening balances on the RBS system at 1.4.22 and confirmed they could be agreed back to the audited accounts for last financial year. Box 7 on the 21-22 accounts was £203,123. I was not able to locate an opening balance report on the Sage system, but was able to confirm opening balances were correct by running a balance sheet for 1 st April 2022, and removing transactions for that date.

I confirmed that the Council's VAT returns are up to date, with VAT claimed to the end of September 2022. I checked that figures in the VAT return have been derived directly from the SAGE system and confirmed with the Clerk that the return been submitted to HMRC. VAT reclaimed for this quarter was £84.99, which is very low for a council of this size. I reviewed further and identified VAT on purchases amounting to around £1,500 on the cashbook for quarter 2 2022-23, so it appears that VAT has been missed from the VAT return. The Assistant Clerk/ Bookkeeper is looking into this issue, in order to identify the value of VAT missed from the VAT return, to amend the Council's VAT return and to prevent the issue from reoccurring.

The Council reviewed the previous internal auditors final audit report at the May meeting of Full Council.

Final Audit

I note that the Council has opted to retain the Sage accounting system – this was resolved at the March 23 Full Council meeting. The accounting statements have been agreed back to balance sheet and income and expenditure reports produced from the Sage Accounting system. All comparatives reported in the financial statements have been agreed back to the audited 2021-22 accounts, as published on the Council website.

There is a £116 imbalance between the balance sheet on the accounting system and the accounting statements as reported in box 7 of the 22-23 AGAR Statement of Accounts . This should be resolved in the new financial year.

The Council's year end VAT return for the 6 months to March 31 2023 has been completed and was submitted to HMRC on 10 April. VAT reclaimed can be agreed to a schedule of transactions extracted from RBS. VAT outstanding on the balance sheet agrees to the VAT return. The Council has addressed the system glitch identified at my interim audit and VAT accounting now appears accurate.

The Council reviewed my interim audit report at the November 2022 meeting of Full Council. The recommendation raised were noted and actioned. I am satisfied the Council is meeting the requirements of this control objective.

B. Financial Regulations & Payments

Interim Audit

The Council last reviewed financial regulations and standing orders at the Annual meeting in May 2022. Both documents are based on NALC templates.

The Council has a robust process for authorisation of payments to suppliers. All Invoices are inspected by the Clerk and signed off for payment once receipt of goods and services has been confirmed. Payments are then loaded onto Sage and the bank account by the Assistant Clerk / Book Keeper, prior to approval at bank by 2 councillors from the authorised signatory list. Councillors also sign off invoices to confirm review prior to payment. Payments are then taken to a meeting of the council for retrospective approval and recording in minutes. I make no recommendation to change this effective system. I tested a sample of payments selected at random from the cashbook for the first 6 months of 2022-23. For all payments tested I was able to confirm

• Payment per cash book agreed to invoice
• Expenditure appropriate for this council
• Invoice signed off by Clerk and 2 councillors
• Payment approved at bank by 2 councillors (I reviewed audit history for transactions on the Unity bank account)

I confirmed by reference to minutes that the Council has approved all payments via inclusion of payment listings in minutes of Council meetings, (two payments had not yet been presented –due at the next council meeting) .

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £94,381, up from £78,831 in 2021-22.

I tested a further sample of expenditure transactions selected at random from cashbooks for months 9-12 of the financial year. For all transactions sampled, I was able to confirm the following:

- Expenditure per cashbook agrees to VAT invoice
- VAT correctly accounted for
- Expenditure relevant and appropriate for this Council.
- Electronic signature of 2 councillors evidenced on unity bank account.

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C. Risk Management & Insurance

Interim Audit

The Council undertakes a full risk assessment annually, and monitors the risk assessment on an ongoing basis. The risk assessment was last reviewed in May 22 and this review was minuted in minutes of Full Council - 2022/FC/16. I have reviewed the risk assessment, and it appears comprehensive and appropriate for the Council, All expected financial risks, including loss of accounting data, are included in the finance section of the risk assessment. The Council has met its obligations in this regard for 22-23.

I have confirmed that the Council has a valid insurance certificate, with an expiry date of 1 June 2023 until cancelled , insurance is with Hiscox. The Council reviews its insurance requirements as part of the renewal process. Minutes demonstrate this occurred in at the May Council meeting (minute 2022/FC/17). Money cover is currently set at £250K. Cash holdings at the time of the audit were close to this is level. The Council should therefore keep a watching brief in this area and contact insurers to arrange additional cover if cash at bank is expected to exceed £250K at any time.

Data back up arrangements are managed by the Council's IT contractor, Falcon Media. The Clerk has obtained confirmation (dated 18 October) that back up routines are operating effectively and that all data, except that held on local PC drives, is backed up. I am satisfied that the Council is meeting this control objective.

D. Budget, Precept & Reserves

Interim Audit

I confirmed that the 2023-24 budget and precept setting process was well underway at the time of the interim audit. Finance Committee has reviewed the initial draft, this is due to be discussed at Full Council on 30 November. Budget and precept is due to be signed off at the Full Council meeting on 11 January , so all precepting authority deadlines should be met. 6 Uplands Road. Farnham GU9 8BP

I confirmed the Council received a budget monitoring report for quarter 1 at the Full Council meeting on 27 July. I reviewed the report and no material overspends were identified, although this is to be expected this early in the year. Quarter 2 budget monitoring report is due to be presented at the November meeting of Full Council. I review reserves at my final audit.

Final Audit

Reserves at 31 March 2022 were £212,701 (2021-22 £203,123).

General reserves at year end were £68K. This represents 35 % of precept, which is in line with recommended levels set out in the JPAG Practitioners' Guide. Given well developed earmarked reserves, the general reserve is set at an appropriate level. Earmarked reserves were £144K . These are largely set aside for equipment and property maintenance costs,

The Council approved the budget and precept for 23-24 at the Full Council meeting in January 2023 – minute 2022/FC/133. A precept of £209,130 was set. A detailed budget has been prepared, this will be used for budget monitoring.

The Council has demonstrated that it has met the requirements of this control objective.

E. Income
Interim and Final Audits
Precept was £198,877 (£193,091 in 21-22) This has been agreed to data provided by central government.

Income per box 3 was £55,737 (£43,540 in 21-22.)
The Council generates income from letting of property, letting of facilities to sports clubs, and allotments.

I selected a sample of income transactions from the cashbook for the first 6 months of the financial year. I was able to agree items sampled to relevant supporting documentation, such as schedules of fees and charges, tenancy agreements and leases. I have one recommendation. Sports Club rentals are set annually at a Council meeting, but the value of the rental due is not recorded in minutes. This should be done, as it makes validation of rental income more straightforward.

I am satisfied that the Council met this control objective.

F. Petty cash
The Council does not use petty cash.

G. Payroll
Interim and Final Audits
Staff costs per box 4 to the accounts were £150,655 (21-22 £136,610).

Payroll is processed in house using the Sage payroll application. The Assistant Clerk/ Bookkeeper sets up the payroll each month for the 5 members of staff, and posts changes such as approved overtime to the payroll. Payroll is then run and reviewed by the Clerk. Once this has been approved, payments are set up on the bank account. Payroll is reviewed by 2 councillor signatories who sign off the payroll and approve the bank payments.

I tested pay for 3 members of staff from the August 2022 payroll. I was able to agree cashbook to approved payroll, and from there I agreed gross pay to pay award letter, plus authorised timesheet for one member of staff.

I checked the Council's HMRC payroll account, and confirmed no overdue payments are owed to HMRC.
I am satisfied that the Council is meeting this control objective

H. Assets and investments

Final Audit

Fixed assets per box 9 to the accounts were £1,265,483 (21-22 £1,245,959).

I reconciled the asset register balance in the statement of accounts to the Council asset register at 31.3.23, as published on the Council website. Additions of £18,616 have been identified, and posted to the fixed asset register at cost, as required by regulations. The main additions were 3 table tennis tables, surfacing for the tables and surfacing at a basketball net.

I am satisfied that the Council met this control objective.

I. Bank reconciliations

Interim Audit

The Council has 6 bank accounts. 2 held with Unity Bank, 3 with Natwest and 1 with Cambridge and Counties. All accounts are reconciled monthly and the reconciliations are reviewed by a councillor.

I re-performed the September 2022 bank reconciliation. I found no error in the reconciliation and confirmed that the reconciliation is subject to appropriate councillor review, evidenced by signature on the face of both the reconciliation. I recommend that Councillors sign the bank statements when reviewing bank reconciliations. This confirms the statements have been checked as well as the cashbook.

Final Audit

Cash per box 8 to the accounts was £239,882 (21-22 £225,753)
I reperformed the year end bank reconciliations for 31 March 2023. I was able to agree all balances in the bank reconciliation to the balance sheet on Sage and to bank statements. The year-end reconciliation has been reviewed by a councillor and the review evidenced on the bank reconciliation and on bank statements .

I note that the Council actioned a £25K transfer from the NatWest to the Cambridge Bank account. This is shown as an unpresented cheque on the bank reconciliation, as this transaction had been credited to the Cambridge account but had not cleared the NatWest account at 31.3.23. I am satisfied that this transaction has been properly accounted for by council, but advise that detailed notes are retained about this transaction to send to external audit, in case of query.

I am satisfied that the Council met this control objective.

J. Year-end accounts

Final Audit

North Mymms PC has produced accounts on an accruals basis, this is required as income / expenditure is above £200k. 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

As a larger Council, with income / expenditure in excess of £200K, North Mymms is required to follow the 2015 Transparency Code. I was able to confirm that data required by the Code could be located at various pages on the Council website, and specifically confirmed that the following information was up to date

- Grants awarded – published showing grants awarded in 22-23
- Payments over £500 – published end of quarter 4 22-23

M: Arrangements for Inspection of Accounts

Inspection periods for 2021-22 were set as follows

Inspection - Key date	2021-22 Actual
Accounts approved at Full Council	25 May
Announcement date	26 May
Inspection period begins	13 June
Inspection period ends	22 July
Correct length	Yes

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.

N: Publication requirements 2021-22 AGAR

Interim Audit

I confirmed that the Council has correctly loaded the audited accounts, annual governance statement and audit certificate for 2021-22 on to the Council website. The conclusion of audit certificate has been correctly published, with a date of 31 August , in advance of the 30 September deadline. The Council received a minor qualification from the external auditors relating to setting of the 20-21 inspection period. The audit certificate was dated 22 August and was reported to Council at the September meeting. (minute FC/78).

O. Trusteeship

Interim Audit

The Council has confirmed it has no trustee responsibilities. I note the N/A box was not ticked on the 21-22 AGAR. Care should be taken to ensure this box is ticked in 22-23, it is the type of omission that is of interest to the external auditors.

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

Yours sincerely



Mike Platten CPFA

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Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
I identified VAT on purchases amounting to around £1,500 on the cashbook for quarter 2 2022-23, so it appears that VAT has been missed from the VAT return.	The Assistant Clerk/ Bookkeeper is looking into this issue, in order to identify the value of VAT missed from the VAT return, to amend the Council's VAT return and to prevent the issue from reoccurring.	
Money cover is currently set at £250K. Cash holdings at the time of the audit were close to this is level. .	The Council should therefore keep a watching brief in this area and contact insurers to arrange additional cover if cash at bank is expected to exceed £250K at any time	
Sports Club rentals are set annually at a Council meeting, but the value of the rental due is not recorded in minutes.	This should be done, as it makes validation of rental income more straightforward	
Bank reconciliation	I recommend that Councillors sign the bank statements when reviewing bank reconciliations. This confirms the statements have been checked as well as the cashbook.	
I understand the Council has had some issues with the Sage system, around management of reserves, and system availability.	The Council may wish to consider moving to an industry specific package as Rialtas / Edge or Scribe, these are better suited to parish councils.	

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Points Forward – Action Plan – Final Audit

Matter Arising	Recommendation	Council Response
There is a £116 imbalance between the balance sheet on the accounting system and the accounting statements as reported in box 7 of the 22-23 AGAR Statement of Accounts .	This should be resolved in the new financial year.	

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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
O	Trust Funds	No trusts at this council

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