April Skies
Accounting

Christine Wooton
North Mymms Parish Council

13 May 2024

Dear Christine

North Mymms Parish Council - Internal Audit 23-24
Final Audit Report

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 on 5 December, this concentrated on in year financial transactions and governance controls. The final audit was completed remotely on 13 May and concentrated on the statement of accounts and balance sheet. I was unable to visit the Council due to illness.

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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. 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 Sage system at 1.4.23 and confirmed they could be agreed back to the audited accounts for last financial year. Box 6 cash on the 22-23 accounts was £239,882. This has been agreed to opening cash balance on the balance sheet on the Sage system.

I confirmed that the Council's VAT returns are up to date, with VAT claimed to the end of September 2023. 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 £2,061. I viewed the refund on the bank statement on 17 October.

Final Audit

The accounting statements have been agreed back to year end reports produced from the accounting system. There is a £45 difference between box 6 on the AGAR (all other payments) and Sage – this is due to 2 late postings to the income and expenditure account in 22-23. I have reviewed these postings, and I am satisfied that the accounting adjustment is accurate. Year-end balance sheet on Sage agrees to box 7 in the accounting statements for 23-24 All comparatives reported in the financial statements have been agreed back to the audited 22-23 accounts, as published on the Council website.

I confirmed that the VAT return for period January to March 24 has been completed and submitted to HMRC. This has a SAGE generated submitted date stamp of 8 April. VAT of £1,795 was reclaimed. VAT reclaimed has been agreed to a schedule of transactions on the Sage VAT report for quarter 4 23-24.

The Council reviewed my previous audit report at the June meeting of Full Council. – minute FC/2023/140. The Council agreed to implement the four recommendations raised.

B. Financial Regulations & Payments

Interim Audit

The Council last reviewed financial regulations and standing orders at the Annual meeting in May 2023 – minute 2023/FC/12. Both documents are based on NALC templates. The Council is 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.

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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 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 the cashbook for the first 6 months of 23-24. 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
- VAT accounting correct
- Payment approved at bank by 2 councillors (I reviewed audit history for transactions on the Unity bank account for 2 transactions)

I confirmed by reference to minutes that the Council has received reports of payments made. Payments lists are published on the Council website.

I note that the Council only has 2 bank signatories at present – this presents a risk, should either signatory be unavailable. This must be addressed as a matter of urgency.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £ 113,465, up from £94,381 in 22-23 .

I tested 4 further payments and confirmed the following:

- Payment per cash book agreed to invoice
- Expenditure appropriate for this council
- Invoice signed off by Clerk and 2 councillors on face of invoice
- VAT accounting correct

For one payment I checked approval at bank by 2 councillors.

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 register is due to be reviewed at Full Council in February. I will review the risk register at my year end audit.

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. 7 buildings are insured, a summary of assets insured is set out below:

Item description	Excess	Amount Insured
Total Buildings	£250	£1,663,641
Gates and fences	£250	£49,536
Fixed outside equipment	£250	£0
Street furniture	£250	£37,759
War memorials	£250	£0
Playground equipment	£250	£259,980
Sports surfaces	£250	£100,518
Other surfaces	£250	£265,062
Rent receivable	£250	£0

Money cover is currently set at £250K. Cash holdings at the time of the audit were close to this 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. Vehicle insurance is also in place for the Council's 3 vehicles.

Data back-up arrangements are managed by the Council's IT contractor, Falcon Media. I recommend that the Council obtains evidence that back up arrangements have been tested from the IT contractor before my next visit.

Final Audit

The risk register and risk management strategy was considered at the February meeting of Full Council (minute 2023/fc/155). I have reviewed the risk assessment and it appears sufficient for a council of this size.

D. Budget, Precept & Reserves

Interim Audit

I confirmed that the 24-25 budget and precept setting process was well underway at the time of the interim audit. Finance Committee has reviewed the initial draft, this was also reviewed by Full Council at the November meeting. The tax base has not yet been received. Budget and precept will be approved at the Full Council meeting in January. I am satisfied that precepting authority deadlines will be met.

Finance Committee and Full Council consider budget monitoring reports each quarter, as required by Financial Regulations. I confirmed the Council received a budget monitoring report for quarter 2 at the Full Council meeting on 25 October (minute 2023/FC/101) . I reviewed the report and no material overspends were identified, although this is to be expected this early in the year.

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Final Audit

Reserves at 31 March 2024 were £212,817 (22-23 £212,701).

Earmarked reserves were as follows at balance sheet date:

Equipment fund:	
Pick up truck	19,898
Working Equipment - Snake rotary mower	10,637
Tractor 1	10,530
Tractor 2	8,653
Fine turf mower for bowls green	6,190
Play Equipment - Gobions	16,566
Play Equipment - Welham Green	12,591
Play Equipment - Little Heath	15,906
Property fund:	
Burns Pavillion	22,800
Bungalow 1	3,000
Bungalow 2	3,500
Driveway/car park	5,000
Council Office	1,750
Open Spaces including trees	12,500
Open Spaces general	1,200
Others:	-
Parish Paths - unspent grant 2017/18	250
Signage Gobions	600
Community Space	250
Climate change- electric car charging points etc Grants A	250
	152,071

These have been reviewed in year, and are monitored closely to ensure adequate funds are in place for equipment and asset maintenance, and to fund projects.

General reserves at year end were £60,746. This represents 30% of precept, which is at the lower point of recommended levels set out in the NALC Practitioners' Guide. (minimum recommended general reserve balance is 25% of net revenue expenditure). The Council should keep a watching brief on the level of the general reserve to ensure it does not reduce below this level.

The budget and precept for 24-25 were approved at the Full Council meeting on 10 January 2024 – minute 2023/fc/137, following recommendations made by the Finance Committee. A precept of £227,952 was set.

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E. Income

Interim Audit

The Council generates income from letting of property, letting of facilities to sports clubs, and allotments. I confirmed that the Council carried out the annual review of fees and charges for 23-24 at the meeting on 9 November 2022. 2022/FinC/12.

I selected a sample of income transactions from the cashbook for the first 8 months of the financial year. I was able to agree items sampled to relevant supporting documentation, such as schedules of fees and charges (football pitch rentals), tenancy agreements and leases.

I have one recommendation. Income from the Winter Warmer should not be paid into the Council's bank account. This money should go direct to the Memorial Hall Charity, as it appears that the Council simply banks this income then pays it to the Memorial Hall.

Final Audit

Precept per box 2 to the accounts was £209,130 (22-23 £198,877). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £63,785 (22-23 £55,737).

I reviewed a small sample of income credits from the final four months of the financial year. For transactions selected I was able to agree income back to invoice, and from there to appropriate supporting documentation

- Grant notification from district council
- Notification from letting agent
- Recharge of costs to third party

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 £63,785 (22-23 £55,737).

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 2023 payroll. I was able to agree cashbook to approved payroll, and from there I agreed gross pay to pay award letter,

I checked the Council's HMRC payroll account, and confirmed no overdue payments.

At the final audit I checked that box 4 to the accounts only includes transactions relating to the employment of staff – salaries / payroll taxes and pensions.

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H. Assets and investments

Final Audit

Fixed assets per box 9 to the accounts were £ 1,267,771 (22-23 £1,265,483).

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, with sufficient detail to locate all assets listed.

Fixed assets have increased by £2.4K since last year end. The Clerk supplied a schedule of movements on the fixed asset register to explain this change. Disposals of £180 have also been recorded on the asset register

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. My file review confirms that the review of bank reconciliations by councillors is properly evidenced on face of the reconciliation, and is also reported in minutes.

I re-performed the September 2023 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 the reconciliation.

The Council has an investment policy in place, as required by regulations. This was last reviewed in February 2022. I suggest this should be reviewed annually, to ensure that the Council is maximising returns on cash, as interest rates can vary between accounts.

Final Audit

Borrowings per box 10 to the accounts were £nil (21-22 £ nil)

Cash per box 8 to the accounts was £256,004 (22-23 £239,882)

I reperformed the year end bank reconciliation. I agreed all balances in the bank reconciliation back to the accounting system reports and to bank statements. The year end bank reconciliation was found to be accurate and evidence of review on both the reconciliation and the bank statements was provided by a councillor, the RFO and the Clerk

J. Year-end accounts

North Mymms PC 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, for external audit review, and creditor and debtor listings support this reconciliation.

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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

Interim and Final Audits

Yes, the Council meets the requirement of the Code by publishing information on the Council website, mainly on the Financial Information page. I checked that the following information was up to date at the time of the interim audit:

- Payments data – published to end of September 2023
- Community Infrastructure Levy report – 22-23 report published.
- Grants information - up to date for 23-24

The Council should ensure that payments data is brought up to date before the AGAR is sent to external audit.

M: Arrangements for Inspection of Accounts

Inspection periods for 2022-23 were set as follows

Inspection - Key date	22-23 Actual
Accounts approved at Full Council	28 June
Announcement date	29 June
Inspection period begins	3 July
Inspection period ends	11 August
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 2022-23 AGAR

Interim Audit

I confirmed that the Council has correctly loaded the audited accounts and annual governance statement for 2022-23 on to the Council website. The conclusion of audit certificate has been published, with a date of 2 November. This is after the deadline of 30 September, but this is because the external auditors failed to meet the external audit deadline. The Council has published both the interim and final external audit certificates. Both were clear, with no comments. The audit certificate was dated 30 October and was reported to Council at the November meeting. (minute FC/123).

O. Trusteeship

Interim Audit

The Council has confirmed it has no trustee responsibilities.

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Appendix A
Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
I note that the Council only has 2 bank signatories at present.	This presents a risk, should either signatory be unavailable. This must be addressed as a matter of urgency.	Councillors Tony Green and Mia Americanos-Molinaro have been added as Bank Signatories
Data back-up arrangements are managed by the Council's IT contractor, Falcon Media.	I recommend that the Council obtains evidence that back up arrangements have been tested from the IT contractor before my next visit.	Falcon Media (IT contractor) have confirmed data back-up arrangements
Income from the Winter Warmer should not be paid into the Council's bank account.	This money should go direct to the Memorial Hall Charity, as it appears that the Council simply banks this income then pays it to the Memorial Hall.	Done with effect from 8/1/24
The Council has an investment policy in place, as required by regulations. This was last reviewed in February 2022.	I suggest this should be reviewed annually, to ensure that the Council is maximising returns on cash, as interest rates can vary so much between accounts.	Treasury & Investment Policy updated and approved at NMPC Meeting 21/2/24

Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
Transparency Code	The Council should ensure that payments data is brought up to date before the AGAR is sent to external audit.	

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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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