

Caroline Harris

Rustington Parish Council

1 June 2023

Dear Caroline

Rustington Parish Council

Internal Audit 2022-23

The internal audit of Rustington 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 set out at Appendix A. At Appendix B I list tests not completed as they are not relevant to Rustington.

The audit was carried out in two stages. The interim audit was carried out remotely on 15 November 2022, this concentrated on in year financial transactions and governance controls. I visited Rustington for the final audit on 30 May 2023. This concentrated on the statement of accounts and transactions from the second half of the financial year.

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

A: Books of Account

Interim Audit

The Council uses the Sage 50 system for accounting and payroll. I have tested the brought forward balances on Sage at 1.4.22 against the audited prior year annual return and can confirm these have been brought forward correctly. Box 7 on the audited accounts for 21-22 was £477,220. This agrees to the period 0 balance sheet on Sage.

Reconciliations tested were up to date at the time of the audit. The cashbook was also up to date, and referencing on Sage was sufficiently detailed to enable me to locate supporting documentation.

I have confirmed that the Council's VAT returns are up to date, with the most recent claim for the 2 months to 30 September 2022, submitted to HMRC on 4.11.22. I checked that balances in the return could be agreed to schedules produced by the accounting system. The VAT claim was submitted using Sage digital submission process. The VAT claimed was £9,872, this agreed to the VAT control account at 30.9.22.

The Council is currently working through proposals to carry out refurbishment of the Woodland Centre. Given the level of expenditure involved, it would be sensible to obtain VAT advice from a sector specialist to ensure the Council makes correct VAT decisions .

I checked access controls to the Council's accounting system. Three officers have access to Sage. I was able to confirm that all access levels were appropriate for the officers concerned.

I have no recommendations in this area.

Final Audit

The accounting statements have been agreed back to balance sheet and profit and loss 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. I note from this work that the Council currently codes contractor expenditure to salaries ledger codes on sage, then has to complete a manual exercise at year end to transfer this expenditure to non-pay expenditure on the accounting statements. Going forward, salary nominals on Sage should only be used to record costs relating to the employment of Council staff.

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

The Council's year end VAT return has been completed, and VAT reclaimed can be agreed to a schedule of transactions extracted from Sage . The VAT return has been submitted to HRMC. Vat reclaimed was £11,800, this was repaid to the Council on 15 May 2023. , this agrees to the VAT nominal on the Trial Balance. I note that the Council commissioned the Parkinson Partnership to carry out a review of the Council's partial exemption calculation as a result of a recommendation raised at my last audit. This generated a VAT reclaim, and reduced the VAT payable by the Council in future years.

The Council reviewed my interim audit report at the November 2022 meeting of the Finance and General Purposes Committee – minute 89.22. Minutes confirm proper review of the report, and implementation of an action plan to respond to recommendations raised.

I have no recommendations in this area.

B: Financial Regulations & Payments

Interim Audit

Financial Regulations and Standing Orders were reviewed at Governance and Audit Committee in February 2022. The Rustington documents are based on NALC templates. (Minute 40/22 for standing orders, Minute 41/22 for Financial Regulations.)

The Council has a well ordered process for making payments to suppliers. Invoices are sent into the office, these are collated with purchase orders and goods received notes by the finance team. Invoices are checked by the RFO, then loaded on to Sage and coded to an appropriate nominal ledger code. Twice a month a payment batch report is prepared on Sage. This is sent to the Chairman / Vice Chairman and Clerk for approval to pay. Once the batch is approved, the payments are loaded on to the Council's bank account by the RFO, who also approves the payments at bank. Payments are then reported to Council meetings and this is minuted.

I selected a sample of 10 transactions from the cashbook for the period April to September 2022. I was able to confirm for all transactions that:

- Transactions could be agreed back to invoice
- Clerk and once councillor had certified the invoice as ready for payment
- Invoice included in a payment run document, authorised by Clerk plus one councillor, in line with financial regulation requirements
- VAT accounting correct
- Expenditure appropriate for the Council
- Payment set up and authorised at bank by RFO.

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

Whilst this is a robust system for making payments and demonstrates that the Council is following financial regulations, I have 2 recommendations to raise:

- The Council is overdependent on the RFO for the payment process, and there is insufficient separation of duties for some transactions (RFO raises PO, checks transaction and authorises payment at bank.) I recommend that the Council sets up a system of dual authorisation for payments on the Council's bank accounts. This should require 2 signatories on all transactions, one to set up the payment, one to authorise.
- There are insufficient numbers of bank signatories with working online authorisation access to the bank accounts. The Council could have issues paying staff and suppliers if RFO and Clerk were not available. Additional signatories should be set up with access to authorise payments.

However, I am satisfied that the Council is meeting this control objective.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £500,392, up from £422,785 in 2021-22.

I tested 5 further expenditure transactions, selected at random from cashbooks for months 6-12. All transactions were agreed from cashbook to invoice. I confirmed the following for all transactions tested:

- Transactions could be agreed back to invoice
- Clerk and one councillor had certified the invoice as ready for payment
- VAT accounting correct
- Expenditure appropriate for the Council
- Purchase order in place and signed off by appropriate signatory

I followed up my interim audit recommendation regarding authorisation of payments at bank. The Council is in the process of changing the payment process now the new Council is in place. Going forward, RFO will set up payments on the Council bank account, one of three signatories will then authorise the payment at bank. This is a more robust system, with a clear separation of duties in the payment authorisation process.

I reviewed year end accruals. I identified 3 transactions incorrectly set up as accruals, as the goods / services had not been received before 31 March. These were essentially budget underspends which had been set up as accruals.

- £50K - Changing Place Toilets
- £25K - section 106 Funding
- £10K - building improvement fund.

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

The RFO reversed these accruals on completion of my audit, the impact of this was to increase the value of reserves at 31.3.23. The Council may wish to set up earmarked reserves to ensure that these funds are available for the intended purpose.

C: Risk Management & Insurance

Interim Audit

I will review the risk assessment at my year end audit. I remind the Council to ensure that the risk assessment is discussed at a meeting of Full Council before 31 March and that this review is minuted.

The Council is in year three of a 3-year deal insured with Hiscox, arranged by Gallgahers on a standard local government policy . I have seen the insurance policy; insurance was in date “ continuous cover from 1.10.22 until the policy is cancelled”. Fidelity insurance is set at £250K. Whilst this may appear too low, given the cash and investment holdings at the Council, the Council has obtained guidance from the brokers confirming that this level of insurance is sufficient. This is because much of the Council’s cash is held in difficult to access deposit accounts. Asset cover appeared consistent with the asset register. 6 buildings are insured, at an insurance value of £3.7m

I confirmed that back up of data on the Sage system is taken around twice a week . This is stored in the Y drive on the Council network. The IT provider has confirmed that this drive is included in the Council’s data back-up routines.

I confirmed that the most recent internal audit report was properly considered by Councillors at the May meeting of Finance and General Purposes Committee and an appropriate minute recorded (minute 37/22).

Final audit

The Council Risk Assessment was reviewed at the Full Council on 27 March 2023 – minute 73/23.

I reviewed the risk assessment. There is clear evidence of review and update in the course of the financial year. The finance section of the risk assessment is based on an industry standard template and includes risks anticipated at a Council of this size.

I am satisfied that the Council is meeting this control objective.

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

D. Budget, Precept & Reserves

Interim Audit

The Council is in the process of preparing the budgets for 23-24. The RFO has shared the budget timetable with me. The draft budgets are being reviewed by committees at present. Precept and Budget is due to be approved at Full Council on 19 December. There is a back up meeting at the end of January 2023. All precepting authority deadlines should therefore be met.

I have confirmed that regular budget monitoring reports are to monthly Full Council. I have reviewed files and confirmed that reports were issued for October / May and August 2022, so I am satisfied budget monitoring is occurring regularly. I reviewed the report for the year to 17 October 2022. The report is comprehensive, giving analysis by nominal centre on a departmental basis. I reviewed the budget, there were no material overspends at this point. I have one recommendation. There is scope for a short narrative report to be added to the budget monitoring booklet to set out key messages and explain any significant variances.

Final Audit

Reserves at 31 March 2022 were £485,925 (2021-22 £477,220).

The Council held a general reserve of £160K on 31.3.23. This represents 23% of precept, and is therefore at the lower end of recommended levels in the JPAG Practitioners' Guide. The Council must maintain a close eye on reserve balances in the course of 23-24 to ensure that the general reserve does not fall below this level.

Labelling of earmarked reserves on the balance sheet should be amended, as it is not clear what the purpose of the reserve is. The largest reserves are described as follows:

- Capital reserve 1 - £100,000
- Capital reserve 2 - £106,947

The Council approved the budget and precept for 23-24 at the Full Council meeting on 23 January 2023, after consideration at the December Finance and General Purposes Committee. A detailed budget has been prepared and is loaded on to the Sage accounting system, ready for budget monitoring in 23-24.

I am satisfied that this control objective was met.

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

E: Income **Interim Audit**

The Council obtains income from a number of sources beyond the annual precept:

- Room Hire and Functions - Woodland Centre / Youth Centre / Samuel Wickens Centre
- Sponsored flower beds
- Allotments
- Sports pitches

I confirmed fees and charges for 22-23 had been properly approved at meetings of the Council

- Sports Pitches – Leisure and Amenities November 2021
- Woodlands Centre - Leisure and Amenities November 2021

Invoices for hall bookings are generated from the Council's diary system. I tested a sample of bookings in the diary, through to invoicing, for the month of September. For all diary bookings tested, I confirmed the event occurred, and checked that the customer had been invoiced

- At the correct rate, as approved by Council
- For the correct amount of time, per the booking

I was able to confirm correct invoicing for all transactions audited.

The room booking process is manual, and there is no link to the Council's accounting system. The Council may wish to consider investing in a room booking system which interfaces into Sage Accounts.

I reviewed the Council's debtors ledger. At the time of my audit debts outstanding were £4.5K. There were no debts older than September 2022.

The Council still offers the option of payment by cheque or cash. This should be removed from standard terms and conditions, and only offered in exceptional circumstances. Management of cash and cheques is time consuming and will become more difficult as bank closures continue. Payments from customers should be made by card or bank transfer wherever possible. The Council should also consider moving allotment rental collection to an annual direct debit.

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

The Council has received a number of payments relating to a Halloween event held in the village, it is understood these were for stalls at the event. However, no fees were agreed by the Council in advance of the event, and the RFO was not consulted to ensure VAT was included in charges. Going forward, fees for all one off events must be agreed in advance, following consultation with the RFO.

Final Audit

Precept per box 2 to the accounts was £690,000 (21-22 £690,000). This has been agreed to third party documentation provided by central government.

Income per box 3 to the accounts was £184,744 (21-22 £131,184).

I followed up recommendations raised at my interim audit in November:

- The Council is in the process of setting up the Hallmaster booking system to replace the manual booking system
- Hire agreements have been amended to remove the option to pay by cash or cheque
- Deposits are now collected by bank payment where possible
- Allotment income is still under review

No further transaction testing was completed, sufficient assurance obtained at the interim audit. I am satisfied that this control objective was met.

F. Petty Cash

Petty cash is held at the office, museum and information centre. Books and receipts are brought into the office every month. The RFO confirmed that all petty cash accounts were counted at year end, but that this count was not evidenced on petty cash books. Whilst the amount held as petty cash was small (£90 in total) all counts should be signed off by the officer carrying out the count and reviewed and signed by another officer.

G. Payroll

Final Audit

Staff costs per box 4 to the accounts were £365,644 (21-22 £329,730). Payroll is processed in house by the RFO using SAGE payroll. Payroll is prepared mid-month in advance of payroll date on 25th of each month. The payroll is then reviewed by the Clerk and a councillor before payment, this is evidenced on the front page of payroll reporting.

I carried out testing of salary payments made to staff in February 2023. I agreed ledger payments back to summary payroll reporting for the month. From there I selected 2 staff members. (Clerk and RFO)

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

I tested that basic pay per payroll could be reconciled back to appropriate NJC pay grade, once working hours adjustments had been made. I also confirmed payments had been made to HMRC and to the Pension Fund for March 2022 by reviewing BACS file documentation in the payroll file. 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 £ 3,092,101 (21-22 £3,081,610).

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. Changes in asset register value year on year are supported by schedules of assets added and removed from the asset register, again at cost.

Additions of £27,355 were added to the register. The RFO has supplied a list of new assets – these appear to be added at cost, as required by the Practitioners' Guide. Largest items are the CCTV system , and the Ford Transit Van

One disposal has been made – this is the correction of an error on the asset register due to the double counting of the tractor owned by the Council - £16,685.

It is recommended that a validation exercise of the Council asset register is carried out in 23-24, to ensure that all assets still exist, and to ensure that assets can be located from descriptions on the asset register.

I am satisfied that the asset register can be reconciled to the fixed asset balance recorded in the accounts.

I: Bank Reconciliations

Interim Audit

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 October 2022 bank reconciliation was tested in detail. I confirmed the following.

- The face of the bank statements had been signed off by the reviewing councillor, Councillor Warren
-

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

- All balances on the bank reconciliation were agreed back to bank statements / cashbooks
- Arithmetic checked for accuracy
- I confirmed that the bank reconciliations are reported to councillors in the monthly accounts for payment report.

Final Audit

Cash per box 8 to the accounts was £548,731 (21-22 £559,246)

I reformed the year end bank reconciliations, and was able to agree balances on bank reconciliations back to bank statements and to the Sage accounting system. Arithmetic was checked and a sample of unpresented items was checked to clearance at bank in the new financial year.

All year end reconciliations had been reviewed by Councillor Warren by the time of my audit and this review evidenced. There is clear evidence that all bank balances have been checked by the reviewing councillor and the bank statements have been initialled

J. Year-end accounts

Final Audit

RPC 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.

An explanation of year-on-year variances has also been prepared and provides detailed explanations for review by external audit.

I am satisfied this control objective has been met.

L: Exercise of Public Rights - Inspection of Accounts

Inspection periods for 2021-22 accounts were set as follows

Inspection - Key date	2021-22 Actual
Accounts approved at Full Council	23 May
Date Inspection Notice Issued and how published	5 June - website
Inspection period begins	6 June
Inspection period ends	15 July
Correct length	Yes 30 working days

All regulatory requirements were met.

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

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, RPC 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 – These are listed on the financial transparency webpage . I confirmed 22-23 webpage was up to date at my final audit
- The Council publishes a suite of financial reports monthly on the financial transparency page on the website. This includes details of all payments approved each month . This had been updated to March 2023 at the time of my final audit.

I am satisfied the Council has met obligations in this regard.

N: Publication requirements 21-22 AGAR

The Council has published the Accounts, Annual Governance Statement and the external audit certificate on the Council website. The Conclusion of Audit Certificate was published 22 September 2022 before the statutory deadline of 30 September. The external auditors issued a clear audit certificate on 9 September. The Council has met its obligations in this area. The Council was informed of the outcome of the audit at the meeting on 26 September 2022 (minute 228/22)

0. Trusteeship

The Council disclosed that it was not a sole trustee for a trust fund in the 2021-22 AGAR. The RFO confirms this is still the case.

I attach my invoice for your consideration, alongside the internal audit report from the AGAR. Thanks for your help with the audit and 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

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

Appendix A

Matters Arising 22-23 Interim Audit

Matter Arising	Recommendation	Council Response
The Council is currently working through proposals to carry out refurbishment of the Woodland Centre.	Given the level of expenditure involved, it would be sensible to obtain VAT advice from a sector specialist to ensure the Council makes correct VAT decisions .	VAT consultant employed by the Council, reviewed partial exemption calculation and will be engaged for woodland centre project.
The Council is overdependent on the RFO for the payment process, and there is insufficient separation of duties for some transactions (RFO raises PO, checks transaction and authorises payment at bank.)	I recommend that the Council sets up a system of dual authorisation for payments on the Council's bank accounts. This should require 2 signatories must sign in for all transactions, one to set up the payment, one to authorise.	Now being actioned – panel of three signatories to authorise payments set up by RFO
There are insufficient numbers of bank signatories with working online authorisation access to the bank accounts.	The Council could have issues paying staff and suppliers if RFO and Clerk were not available. Additional signatories should be set up with access to authorise payments.	being actioned now new council in place – RFO to set up payments at bank, 1 of 3 signatories to authorise.
The budget monitoring report is comprehensive, giving analysis by nominal	There is scope for a short narrative report to be added to the budget monitoring report to set out key messages	Now in place

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

April Skies

Accounting

centre on a departmental basis.	and explain any significant variances.	
The room booking process is manual, and there is no link to the Council's accounting system.	The Council may wish to invest in a room booking system	Hallmaster booking system being implemented
The Council still offers the option of payment by cheque or cash. This should be removed from standard terms and conditions, and only offered in exceptional circumstances. Management of cash and cheques is time consuming and will become more difficult as bank closures continue.	Payments from customers should be made by card or bank transfer wherever possible. The Council should also consider moving allotment rental collection to an annual direct debit.	Now implemented - see notes in report
Grants awarded – Details of grants awarded are not currently listed on the website.	These should be added, setting out detail of grant, beneficiary and purpose of grant.	Now added to website
The Council has received a number of payments relating to a Halloween event held in the village, it is understood these were for stalls at the event. However, no fees were agreed by the Council in advance of the event, and the RFO was not consulted to ensure VAT was included in charges.	Going forward, fees for all one off events must be agreed in advance, following consultation with the RFO	Noted for future events

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

Matters Arising 22-23 Final Audit

Matter Arising	Recommendation	Council Response
<p>I reviewed year end accruals. I identified 3 transactions incorrectly set up as accruals, as the goods / services had not been received before 31 March. These were essentially budget underspends which had been set up as accruals.</p> <ul style="list-style-type: none"> • £50K - Changing Place Toilets • £25K - section 106 Funding • £10K - building improvement fund. 	<p>The RFO reversed these accruals on completion of my audit, the impact of this was to increase the value of the general fund at 31.3.23. The Council may wish to set up earmarked reserves to ensure that these funds are available for the intended purpose.</p>	
<p>Earmarked reserves – reporting on balance sheet</p>	<p>Labelling of earmarked reserves on the balance sheet should be amended, as it is not clear what the purpose of the reserve is.</p>	
<p>The RFO confirmed that all petty cash accounts were counted at year end, but that this count was not evidenced on petty cash books as part of year end closedown. by the officer carrying out the count and reviewed and signed by another officer.</p>	<p>Whilst the amount held as petty cash was small (£90 in total) all counts should be signed off.</p>	
<p>Asset Register</p>	<p>It is recommended that a validation exercise of the Council asset register is carried out in 23-24, to</p>	

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

April Skies

Accounting

	ensure that all assets still exist, and to ensure that assets can be located from descriptions on the asset register.	
The Council currently codes contractor expenditure to salaries ledger codes on sage, then has to complete a manual exercise at year end to transfer this expenditure to non pay expenditure on the accounting statements.	Going forward, salary nominals on Sage should only be used to record costs relating to the employment of Council staff.	

☎ 07958 990310

✉ mike@aprilskies.co.uk

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

Appendix B

Internal Audit Control Objectives – Marked as not covered

Control Objective	Area for Audit	Why this has not been audited
K	Exemption from limited assurance review	Council had limited assurance review in 22-23
O	Trust Funds	No trusts at this council

☎ 07958 990310

✉ mike@aprilskies.co.uk

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