

Paula Benson

Clerk to Ripon City Council

2 June 2023

Dear Paula

**Ripon City Council – Internal Audit 2022-23**

The internal audit of Ripon City 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 RCC.

The audit was carried out in two stages. The interim audit was carried out remotely on 9 March 2023, this concentrated on in year financial transactions and governance controls. The final audit was completed remotely on 2 June 2023. This concentrated on the statement of accounts and balance sheet accounting.

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

#### **Interim Audit**

The Council continues to use RBS, an industry specific accounting package. The RBS system is used to report and record the financial transactions of the Council and a review of the nominal ledger shows that all data fields are being entered with sufficient detail. My audit testing showed that supporting documentation could be readily located from records recorded on RBS, and all key reconciliations were up to date.

I confirmed that the Council is up to date with VAT submissions for the year. The quarter 3 VAT return was submitted to HMRC on 28 February 2023. The claim was for £6,704.

The Clerk is the only person with access to the Council's accounting system. Whilst this is appropriate, given the Council's current staffing position, there is a degree of risk in having only one person with access and knowledge to carry out accounting tasks.

I checked the brought forward balances on the trial balance against the audited prior year annual return. I can confirm these have been brought forward correctly. The external audit certificate for 21-22 was clear, with a recommendation in the other matters section relating to fixed assets. This is reviewed in section H below. No other matters relevant to the current financial year were reported by external audit, and no adjustments to the accounting system are necessary.

#### **Final Audit**

The accounting statements have been agreed back to balance sheet and annual return reports produced from the RBS 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. Arithmetic has been checked.

The year end VAT return has been completed. VAT reclaimed was £10,007, this has been agreed to a schedule of transactions extracted from the accounting system. VAT reclaimed agrees to the VAT nominal ledger code at 31.3.23.

I am satisfied that the Council met the requirements of 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 and Final Audits**

Non pay expenditure per box 6 to the accounts amounted to £324,257 up from £272,182 in 2021-22.

Standing Orders were reviewed at the Council meeting on 7 March 2022. Financial Regulations have been reviewed and were updated at the Council meeting on 13 June 2022. At this review, an amendment was made to the payment process, delegating responsibility for payments to two officers of the council, removing Council Members from that process. However, since the resignation of the Deputy Clerk, a member must currently be a second signatory on all payments. Both documents are based on NALC standard templates.

I selected a sample of 10 non-pay expenditure transactions from the nominal ledger, plus one internal bank transfer. The net value of these transaction was £49K. I was able to confirm the following for all transactions tested:

- Payment agreed to invoice,
- Payment approval noted in minutes of council meeting ( payment reported in minutes, listed in monthly cashbook published on the council website)
- Signature of 2 members of staff on each invoice to confirm receipt of services and payment
- VAT accounting correct

I checked via a walkthrough test of 2 transactions that payments were authorised at bank in line with financial regulations by checking the audit history on the unity bank account

I am satisfied that payments are being authorised in line with financial regulations.

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

**Interim Audit**

The Council is insured with BHIB Insurance on a standard local council package. The policy was in date at time of audit, with an expiry date of 31 March 2023. Main categories of assets insured are:

Buildings - £172K

Contents - £467K

Street Furniture – £120K

Playground Equipment - £120K

Regalia - £1,033K

Asset coverage is broadly consistent with the asset register. I have confirmed with the Clerk that civic buildings are not owned by RCC. The Council should check with the insurer to confirm that the most recent asset valuation is sufficient to maintain insurance cover.

Fidelity insurance is set at £500k. Given that cash balances held by the Council regularly exceed this level, I suggest that this is raised with the insurer to check if additional coverage may be needed.

The risk register was considered at the Full Council meeting in June 2022 ( minute 80/22 item 9). I have reviewed the risk assessment, it appears sufficient for the Council and there is evidence of update in the course of the financial year. It is recommended that risks relating to overreliance on one member of staff for administration of council finances are added to the risk register, and back up arrangements documented. This should include

- Arrangements for making payments
- Payroll
- VAT return submission

I checked that the Council's accounting system is backed up regularly, and back ups are held in the Council's sharepoint storage system.

I am satisfied that the Council met the requirements of this control objective.

**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 budget and precept and budget for 23-24 was agreed at Full Council in January 2023 (minute 06/22 item 5) . Precept has been set at £420,000, and the budget has been set and loaded on to the RBS Accountancy system. A deficit budget of £70,319 has been set for 23-24 financial year, funded from earmarked reserves.

The Council continues to receive budget monitoring reports on a quarterly basis. I confirmed that the report for the period to 30 November was included in the binder for the Full Council meeting in January 2023. Reporting is direct from the RBS accounting system, and provides full detail of expenditure against budget.

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## **Final Audit**

Reserves at 31 March 2022 were £755,667 ( 2021-22 £732,548).

The Council held a general reserve of £305K on 31.3.23. This represents 75% of precept, and is therefore at the upper to middle range of recommended levels in the JPAG Practitioners' Guide. This is appropriate for Ripon CC, which has some reliance on non-precept income, and I consider the level of the general reserve to be appropriate.

Earmarked reserves amounted to £451K at 31.3.23. These include the following reserves in excess of £50K:

- Capital reserve £55K
- Hugh Ripley Hall - £65K
- Strategic Investment Fund £111K
- Alderman Spence Capital Fund £60K

Reserve balances have been reviewed by Council in the course of 22-23.

I am satisfied that the Council holds an appropriate level of reserves and that these are properly managed.

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

## **Interim and Final Audits**

Precept per box 2 to the accounts was £410,902 (21-22 £400,000). This has been agreed to third party documentation provided by central government.

Income per box 3 to the accounts was £52,623 (21-22 £37,639).

I reviewed income from room hire at Hugh Ripley Hall (HRH) at this audit. Income relating to HRH amounted to £33K in the 11 months to the end of February 2023. Income is from regular hirers only, there are not sufficient staff resources to make the Hall available to casual hirers.

The Council has a simple spreadsheet process in place to record bookings, and to record invoicing and payment by hirers. This is sufficient for the needs of the Council at present, given the low numbers of hirers using the Hall.

I checked a sample of invoices raised in the year back to the booking and invoicing spreadsheet. For all transactions tested I was able to confirm that the invoice had been raised at the correct rate and that the correct bookings have been included in the invoice.

I note that hire fees have been increased since my last audit. The HRH Committee resolved to increase all fees by 5% from October 2022 at its meeting in June 2022.

I have no recommendations to raise relating to HRH income.

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I checked the Council's debtor ledger. Debts outstanding at the time of my audit amounted to £5192, £5000 of this owed by Harrogate Borough Council. £2500 of this relates to an invoice raised on 31.3.22. although I understand this has been paid, and the payment needs to be matched against the debtor account.

I am satisfied that the Council met the requirements of this control objective.

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

The Clerk confirmed that the Council no longer holds 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.**

**Interim and Final Audits**

Staff costs per box 4 to the accounts were £116,149 ( 21-22 £86,449).

The Council employs permanent members of staff, only one in place at the time of my audit, the Clerk. Casual payments are also made in respect of a number of ceremonial positions, including Hornblowers and Mayor's Sergeant. Payroll is processed externally, by Yorkshire Accounting Services.

I checked the payroll for August 2022. I was able to agree cashbook figure for net pay back to the payroll report provided the payroll company. I tested 2 salaried members of staff. I was able to agree gross pay back to

- Pay award documentation signed off by the Head of Staffing Committee
- For one casual member of staff, I agreed gross pay to approved hourly rate x hours worked on approved timesheet.

I reviewed the year end annual return detail report. This confirmed that box 4 to the accounts only includes costs relating to the employment of staff, as required by accounting regulations for town and parish councils.

I am satisfied that the Council met the requirements of this control objective.

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

**Interim Audit**

At previous audits I raised concerns that the Council was not accounting properly for fixed assets. Assets were previously accounted for at insurance value, and the asset register was not complete. Consequently, I was not able to sign off that the Council had met this control objective in 21-22, and the external auditors commented on this issue in the other matters section of their audit certificate.

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Progress has been made in the course of the 22-23 financial year. All assets have now been loaded on to the RBS accounting system. Appropriate accounting valuations have been applied to each asset.

These are :

- Nominal value of £1 for heritage and regalia assets , and for assets where no cost information can be located
- Historic cost is used where this data is available

The impact on the fixed asset balance is significant, with fixed assets being reduced from £863K to a balance at 1.4.22 of £78K. The reason for this reduction is that assets were previously accounted for at an insurance value, rather than a historic or proxy cost value.

The Council has some work left to do in this area:

- A formal resolution of Council should record the new fixed asset accounting policy
- The fixed asset balance recorded in the 21-22 column in the year end financial statements will need to be restated
- A note should be prepared for external audit setting out the reasons for the restatement of the fixed asset balance
- Additions and disposals of assets in 22-23 need to be actioned before the accounting statements are prepared.

### **Final Audit**

Fixed assets per box 9 to the accounts were £ 81,121 ( 21-22 £863,445).

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. The Council has completed the review of the fixed asset register, in response to recommendations I have raised during the past 2 years - you will recall that I have not been able to sign off that the Council has accounted for fixed assets correctly.

The fixed asset balance at 31.3.23 has been calculated as follows:

Account	£	Note
Fixed assets at 31.3.22 - from audited accounts	863,445	Agrees to 21-22 audited accounts but known to be incorrect due to inclusion of heritage and civic assets at insurance valuations
reduce value of civic and heritage assets with no purchase cost records to £1	769,207	The Council has reduced asset value to proxy cost of £1 for all assets with no purchase cost record
Additions for 22-23	13,117	Agreed to schedule of additions in 22-23, correctly added to asset register at cost
<b>Fixed assets at 31.3.23</b>	<b>81,121</b>	<b>agrees to Asset Register balance in accounting system</b>

The asset register value has thus been reduced by £769K. This is because a large number of assets, mainly civic and heritage assets were not accounted for properly in previous years. An insurance value had been applied to these assets, the JPAG Practitioners' Guide confirms that the revaluation of assets in this way is not appropriate.

The Council must restate box 9 for 21-22 on the accounting statements, this is a requirement of the Practitioners' Guide.

**Where an authority changes its method of asset valuation it will need to restate the prior year's figure in line 9 of the AGAR.**

A note should be prepared for external audit setting out the reasons for the restatement of the fixed asset balance.

Once this adjustment has been made, I am satisfied that the asset register can be reconciled to the fixed asset balance recorded in the accounts, and that all assets are recorded at cost or proxy cost, as required by accounting practices for town and parish councils.

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

#### **Interim Audit**

The Council has 3 bank accounts, the current account with HSBC ,the deposit account with Unity and a Nationwide deposit account. I was pleased to note that bank reconciliations continue to work well . I reviewed the bank reconciliations for September 2023.

For both months tested, the bank reconciliation was completed in full, and signed off by both the RFO and Chairman of the staffing committee . I tested the following:

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- Checked balances back to bank statements
- Checked arithmetic
- Confirmed cashbook balance to the Council's RBS cashbook

I note that the Nationwide bank account is only reconciled at year end, as only one statement is issued per year by the bank. Consequently I have not checked this account at this audit.

The Council is due to review its investment policy, which I understand has not been updated for more than 2 years. This should consider the following:

- Risk involved in holding more than £700k with Unity Bank
- Opportunities for financial returns now better rates of interest are available.

I therefore recommend that the Council completes a review of the investment strategy in the next 6 months.

### **Final Audit**

Cash per box 8 to the accounts was £762,368 (21-22 £770,119)

I reperformed the year end bank reconciliations, and was able to agree balances on bank reconciliations back to bank statements and to balance sheet reports produced from the accounting system.

All year end reconciliations had been reviewed by Councillor Bate 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

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

**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.**

### **Final Audit**

RCC 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.

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**

**Interim audit**

As a larger Council, with income / expenditure in excess of £200K, Ripon CC is required to follow the 2015 Transparency Code. I sample checked the following:

- Expenditure – The Council meets this requirement by posting transactions from the cashbooks on RBS on to the Council website. At the time of my audit transactions to the end of March 2023 had been published. The Council was up to date with requirements
- Grants – details of small grant awards and partnership funding for 22-23 is set out on the Council website.

For items tested, I am satisfied that the Council is meeting the requirements of the Transparency Code.

**M: 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	13 June 2022 Full Council
Date of announcement	16 June
Inspection period begins	20 June
Inspection period ends	29 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: Publication requirements 2021-22 AGAR**

The Statement of Accounts, Annual Governance Statement and the external audit certificate are published on the accounts page of the Council website. The Conclusion of Audit Certificate is on the Council website, dated 29 September 2022 . This is after the dated of the external audit sign off ( 9 Sept) and before the statutory deadline of 30 September.

The audit certificate was reported to the Full Council meeting in October 2022 (minute 139/22) The certificate was clear with a recommendation in the other matters section of the certificate regarding accounting for fixed assets . All reporting of the 21-22 audit certificate has been completed.

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

The Council is sole trustee of the Alderman Tom F Spence Charity – Charity Number 1002235. The annual return for 21-22 was submitted to the Charity Commission on 31 January 2023, so reporting deadlines were met. I have confirmed that the Council is not registered with the Charity Commission as a trustee of any other charities.

I would like to thank you for your assistance with the audit. I attach my invoice, and 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

## Appendix A

### Audit Recommendations - 22-23 audit

Matter Arising	Recommendation	Council Response, and internal audit assessment
Fidelity insurance is set at £500k.	Given that cash balances held by the Council regularly exceed this level, I suggest that this is raised with the insurer to check if additional coverage may be needed.	
Risk Assessment	It is recommended that risks relating to overreliance on one member of staff for administration of council finances are added to the risk register, and back up arrangements documented. This should include <ul style="list-style-type: none"> <li>- Arrangements for making payments</li> <li>- Payroll</li> <li>- VAT return submission</li> </ul>	
Insurance	The Council should check with the insurer to confirm that the most recent asset valuation is sufficient to maintain insurance cover.	
Fixed Assets	The Council has some work left to do in this area: <ul style="list-style-type: none"> <li>- The fixed asset balance recorded in the 21-22 column in the year end financial statements will need to be restated</li> <li>- A note should be prepared for external audit setting out the reasons for the restatement of the</li> <li>- fixed asset balance</li> </ul>	

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# April Skies

## Accounting

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<p>The Council is due for a review of its investment policy, which I understand has not been reviewed for more than 2 years. This should consider the following:</p> <ul style="list-style-type: none"><li>- Risk involved in holding more than £700k with Unity Bank</li><li>- Opportunities for financial returns now better rates of interest are available.</li></ul>	<p>I therefore recommend that the Council completes a review of the investment strategy in the next 6 months.</p>	
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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