

Beverley Bell
Clerk to Cranleigh Parish Council

2 May 2023

Dear Beverley

Cranleigh Parish Council - Internal Audit 2022-23

The internal audit of Cranleigh 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.

The audit was carried out in two stages. The interim audit was carried out remotely on 27 October 2022, this concentrated on in year financial transactions and governance controls. The final audit was carried out remotely. This work was carried out during the week of 25 April 2023 and concentrated on the statement of accounts and transactions from the second half of the financial year.

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A. Books of Account

Interim Audit

The Council uses RBS Omega, an industry specific accounting package, alongside the purchase and sales ledger modules. Room bookings are recorded on an outlook calendar, and bookings invoices are generated from these records. The Omega system is used to report and record the financial transactions of the Council and a review of the cashbook shows that all data fields are being entered, and that the accounts were up to date. My audit testing showed that supporting documentation could be readily located from records recorded on the Omega System. 3 members of staff have access to the system, all are current employees of the Council.

I tested opening balances on the Omega system at 1.4.22 and confirmed they could be agreed back to the audited accounts for last financial year.

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 RBS system and confirmed with the Clerk that the return been submitted to HMRC. The VAT refund has been checked to receipt at bank on 14.10.22. The Council employs Mulberry and Co to complete a partial VAT calculation, required as the Council has opted to tax on all buildings.

The internal audit for 22-23 was reviewed at the May council meeting and minuted. The external audit certificate was noted at September meeting of Council.

Final Audit

The accounting statements have been agreed back to balance sheet and income and expenditure 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.

The Council's year end VAT return has been completed, and VAT reclaimed can be agreed to a schedule of transactions extracted from RBS. The VAT partial exemption calculation has been completed by Mulberry. A VAT reclaim is for £15,155 – this has been agreed to the balance sheet control account. VAT outstanding on the balance sheet agrees to the VAT return. The VAT return was submitted to HMRC on 19 April.

The Council reviewed my interim audit report at the November 2022 meeting of Full Council, thereby meeting the obligation to properly consider the work of audit.

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

B. Financial Regulations & Payments

Interim Audit

The Council has a well organised system in place in respect of policies and procedures and the Clerk is experienced in this regard. Financial Regulations and Standing Orders are both based on NALC templates. Both documents were approved at the May meeting of Full Council (Minute 13).

The Council has a robust process for authorisation of payments to suppliers. The Council approves expenditure via the annual budget process, Payments are approved at a Council meeting, this is notified in minutes and by a dual signature process by councillors, who sign cheques and cheque stubs, after review of invoices. The Council is in the process of moving to internet banking in the next few months. The Council should ensure that evidence is retained to confirm who authorised each bank payment. This information is not retained on the bank account, so will need to be stored in filing systems at the Council.

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
- VAT correctly accounted for
- Expenditure appropriate for this council
- Invoice signed off by 2 councillors
- transaction included in payments listing reported in Council meeting
- Payment approved by 2 councillors - This was evidenced on cheque stubs

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £347,936, down from £497,377 in 21-22.

I tested a further sample of expenditure transactions selected at random from cashbooks for months 8-12 of the financial year. For all transactions sampled, I was able to confirm the following:

- Payment per cash book agreed to invoice
- VAT correctly accounted for
- Expenditure appropriate for this council
- Invoice signed off by 2 councillors
- transaction included in payments listing reported in Council meeting
- Payment approved by 2 councillors - This was evidenced on cheque stubs and on the face of individual invoices

I note that the Council has recently started to make payments using online banking. The new process is as follows:

A payment list is prepared by the Clerk. Transactions are input into the accounting system, and the payment list is taken to a meeting of the Council, together with paper copies of invoices. Invoices are then approved at the meeting and the payment list signed off. 2 councillors are appointed to make the payments – they sign off the payment on the face of the invoice, one councillor sets up the payment at bank and a second authorises the payment. I have not tested this process as yet, but will review this at my next audit. The Council may wish to contact RBS to see if there is scope for the payment run to be loaded into the bank account direct from the accounting system prior to authorisation by the Bank.

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

C. Risk Management & Insurance

Interim Audit

The Council undertakes a full risk assessment annually. I have confirmed with the Clerk that the risk assessment will be approved at the January 2022 meeting of the Full Council. I will review this at my final audit visit. There is an overarching risk assessment document in place, supported by detailed assessments of individual areas of risk. These individual risk assessments are reviewed annually and signed off by officers prior to the January review of the main risk assessment.

I have confirmed that the Council has a valid insurance certificate, with an expiry date of 31 July 2023. Insurance has been arranged by BHIB, and the Council is insured with Aviva, the second year of a 3 year deal. Asset cover is monitored by the Clerk and is checked against insurance values held in the asset register. There is evidence of update in year, and asset coverage appears consistent with the fixed asset register. Fidelity cover is currently set at £750K. This has been exceeded by a small amount in October 2022, so will the council should keep coverage in this area under review.

The Clerk completed a backup test of sharepoint data October 2022. All files checked were successfully restored.

Final Audit

The Council completed the annual risk management review at the Full Council meeting in February 2023 (minute 11). The risk assessment is a comprehensive document, setting out the Council's approach to identifying and managing risk and controls in place to mitigate against these risks. I reviewed the finance risk assessment and it is comprehensive and covers risks I would expect to see at a council of this size.

I am satisfied that the Council is meeting the requirements of 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. The first draft budget was being worked on, with inflation assumptions and the requirements of the forward maintenance plan factored into this first draft. The Clerk shared the budget setting timetable:

- First draft budget to Finance Committee – 7 November
- Draft budget to Full Council - 17 November
- Budget and Precept approval at Full Council - December Meeting

I am satisfied that the Council has arrangements in place to ensure the budget and precept for 23-24 are approved in advance of precepting authority deadlines.

Budget monitoring reports are produced each quarter and reviewed by the Finance Committee. This meets the requirement of Financial Regulation 4.8. I confirmed that quarter one budget monitoring report had been reported to the Finance Committee meeting on 4 July 2022, and explanation of variances was provided. The quarter 2 report is being prepared, and will be reported to Finance committee on 7 November. I reviewed the outturn report produced from the Finance system, and there were no significant overspends that could not be readily explained by the Clerk.

Final Audit

Reserves at 31 March 2023 were £550,072(2021-22 £516,207).

The 23-24 budget was approved at the December meeting of Full Council, and a precept of £487,004 was approved. Precepting authority deadlines were met.

A balanced budget was set for 23-24, details were sent out as an agenda item for the budget setting meeting. I recommend that in future years, approval of the budget as well as the precept should be recorded in minutes, ideally by adding the budget as an appendix to the meeting minute.

General reserves at year end were £171K. This represents 40 % of precept, which means that general reserves are held at levels recommended by the JPAG Practitioners' Guide (this suggests general reserves should be held at 3-12 months of net revenue expenditure).

The Council held earmarked reserves of £379K at 31.3.23. These are held for a number of reasons;

- to support the Council's fixed asset base
- to set aside funds that can only be used for specific purpose,
- to fund future projects identified by the Council.

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

E. Income

Interim Audit

The Council has a number of income streams, outside of the precept. These include the following:

- Hall hire - Village Hall / Pavilion and Youth Centre
- Football pitches
- Cemetery fees

I selected a small sample of income transactions from the cashbook for the first 6 months of the financial year. For all transactions tested, I was able to agree income credited on the accounting system back to the paying in book and from there I was able to locate an invoice. For cemetery income transactions, I agreed the invoiced figure to the approved fees schedule. A credit for rental income was agreed to a lease agreement with the tenant. In all cases I was able to confirm invoicing was correct.

I have one recommendation. My testing demonstrated that the Council is still receiving a significant number of cheques each month to settle invoices raised. Processing of cheques is time consuming and it may become difficult to pay them into bank in the future as the programme of bank closures continues. I recommend that the Council should change its business terms and require payment to be made by BACS going forward – cheques should only be accepted in exceptional circumstances.

I reviewed the sales ledger. Debtors at time of the audit were £18K. The majority of this debt was raised no later than August 2022. There are debts amounting to £4,279 older than August 2022. The majority of this related to parking monies owed by Waverley. I am satisfied that the Council is collecting monies owed efficiently.

Final Audit

Precept per box 2 to the accounts was £445,582 (21-22 £412,040). This has been agreed to third party documentation provided by central government.

Income per box 3 to the accounts was £185,441 (21-22 £264,954).

I carried out further testing of income recorded in the cashbook and was able to confirm for all transactions tested that

- Cashbook credit could be agreed to bank
- Credit agreed back to invoice or remittance advice from third party

I agreed items sampled to supporting information such as

- Grant award notification
- Invoice, agreed back to authorised fees and charges
- Invoice, checked to agreement with hirer

I am satisfied that all credits tested can be substantiated to appropriate documentation from third parties, or correctly raised sales ledger invoices.

F. Petty cash

Interim Audit

The Council has a £250 petty cash balance. This is counted periodically by the Clerk and Admin Clerk. I checked the most recent count, this occurred in August 22. This reconciled to the general ledger balance for petty cash and was evidenced as reviewed by 2 councillors.

Final Audit

The year end petty cash balance is £250. I confirmed that petty cash has been reconciled to accounting records and counted as part of the year end closedown by officers. The count has been signed as reviewed by a councillor.

I am satisfied that the Council has proper controls over petty cash.

G. Payroll

Interim and Final Audit

Staff costs per box 4 to the accounts were £249,222 (21-22 £221,880).

Payroll is processed by Mulberry and Co. The Clerk notifies the payroll company each month of any changes. Payroll is then processed and sent to the Council for checking, posting to the accounting system and payment. Payroll is relatively straightforward, all staff are on standard contracts, so there are minimal issues with timesheeting and significant changes each month.

I carried out testing of payments made to staff in August 2022. I agreed ledger payments back to payroll information produced by the payroll agency for 3 staff members. I was then able to confirm that gross pay for each staff member selected could be agreed to a pay award letter (or an email from the Chairman in the case of the Clerk). I am satisfied that staff are being paid at rates of pay approved by the Council.

The Clerk logged into the Council's HMRC Account and confirmed there were no monies outstanding in respect of tax or NI.

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

H. Assets and investments

Final Audit

Fixed assets per box 9 to the accounts were £ 2,286,620 (21-22 £2,257,754).

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 £28K since last year end. The Clerk supplied a schedule of movements on the fixed asset register to explain this change. I test checked one addition, the purchase of a loader for £11,400, and was able to confirm that this asset was added to the asset register at purchase cost.

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

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I. Bank reconciliations

Interim Audit

The Council has one current and two investment accounts. Bank reconciliations are completed each month, reviewed by a Councillor who is not a signatory, and reported to the monthly Council meeting. There is clear evidence that bank reconciliations are being completed promptly.

I reperformed the bank reconciliation for September 2022. I

- Agreed cashbook balances to Omega system
- Agreed bank balances to bank statements
- Checked arithmetic in the bank reconciliation
- Tested a small number of unpresented cheques to presentation at bank in the October bank statement

I am satisfied the system of bank reconciliation is working effectively

The Council has an investment an investment strategy in place, as required by regulations. I discussed options for the Council to improve returns on its cash holdings with councillors – these are fairly limited at present. Should the Council consider less traditional options for improving returns, then advice should be sought from SSALC before any decisions are taken.

Final Audit

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

Cash per box 8 to the accounts was £549,924(21-22 £499,776) 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 unpresented cheque list was also reviewed and arithmetic was checked. 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 who is not a bank signatory.

J. Year-end accounts

Cranleigh 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.

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: : 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 March 2023
- Organisation Chart – up to date
- Grant award date – published to end of March 23

I am satisfied the Council is meeting the requirements of the Transparency Code

M: Arrangements for Inspection of Accounts

Interim Audit

Inspection periods for 21-22 were set as follows

Inspection - Key date	21-22 Actual
Accounts approved at Full Council	26 May 2022 Council
Announcement	10 June
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 2022 AGAR

Interim Audit

I confirmed that the Council has correctly loaded the audited accounts, annual governance statement and audit certificate for 21-22 on to the Council website. The conclusion of audit certificate has been correctly published, with a date of 24 August, in advance of the 30 September deadline. The Council received a clear audit certificate from the external auditors dated 19.8.22, so there are no matters to be taken into consideration in 22-23. The audit certificate was reported to Council at the September meeting (minute 9.6). There is an archive of AGAR documents from previous financial years published on the Council website, as required by audit regulations.

O. Trusteeship
Interim Audit

The Council is Trustee of The Snoxhall Field - Registered Charity: 1178530.

The 21-22 annual return was submitted to the Charity Commission on 27 June 22, before the regulatory deadline. A meeting of the Charity was held separate to Council meetings in May 22. Section 297 agreement sets out how charity funds are processed.

I would like to take this opportunity to thank you for your assistance with the audit. I attach my invoice, and have already left you a copy of the signed internal audit report from the AGAR.

I look forward to working with you in 2023-24.

Yours sincerely

Mike Platten CPFA

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Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
The Council is in the process of moving to internet banking in the next few months. .	The Council should ensure that evidence is retained to confirm who authorised each bank payment. This information is not retained by the bank, so the Council will need to store this information to demonstrate payments have been authorised in line with Financial Regulations	Discussed with Clerk – the record may not be kept on the banking system, so Council should retain this evidence
The Council is still receiving a significant number of cheques each month to settle invoices raised. Processing of cheques is time consuming and it may become difficult to pay them into the bank in the future as the programme of bank closures continues	I recommend that the Council should change its business terms and require payment to be made by BACS going forward – cheques should only be accepted in exceptional circumstances.	Agreed
Fidelity cover is currently set at £750K.	This has been exceeded by a small amount in October 2022, so will the council should keep coverage in this area under review.	Council agreed to review at renewal of insurance policy

Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
A balanced budget was set for 23-24, details were sent out as an agenda item for the budget setting meeting.	I recommend that in future years, approval of the budget as well as the precept should be recorded in minutes, ideally by adding the budget as an appendix to the meeting minute.	

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