

Beverley Bell
Clerk to Cranleigh Parish Council

28 October 2022

Dear Beverley

Cranleigh Parish Council - Internal Audit 2022-23
Interim Audit

Following the interim audit completed on 27 October, I attach my report for consideration by the Council. This was the first of two audits I intend to carry out to support my opinion on the 22-23 Annual Governance and Accountability Return (AGAR). I covered the following at this visit:

- Review of opening balances and reporting of 21-22 audit opinion
- Follow up previous recommendations
- Testing of expenditure first 6 months of financial year
- Testing of income – first 6 months of financial year
- Risk management and insurance
- Salaries and wages
- Budget monitoring reports
- Arrangements for inspection of accounts
- Bank reconciliations.

I am pleased to report that the Council has successfully maintained a strong system of financial control. I have 3 recommendations to raise, these are at Appendix A.

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. The internal audit reports should therefore be made available to all members to support and inform them when they are considering the Authority's approval of the annual governance statement. I am required by Section 4 of 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 testing carried out at the interim audit.

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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. I will review this calculation as part of my year end audit.

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.

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 meetinn, 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.

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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

I am satisfied that the Council is meeting 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.

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

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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.

I will review reserve balances at my year end audit .

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

Council approved fees and charges for 22-23 at the February meeting of Full Council. (Minute 26). I note that some fees were increased at this review, partly due to increased costs faced by the Council.

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.

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F. Petty cash

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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.

G. Payroll

Interim Audit

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 is meeting this control objective.

H. Assets and investments

Year-end test

I. Bank reconciliations

Interim Audit

The Council has one current and three 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 reformed 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

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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.

J. Year-end accounts

Final audit task

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, Cranleigh 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 – Council has included details of grants awarded in Q1 22-23
- Payments information – the Council publishes data on all payments made on the website. Transactions to the end of August 22 had been published at the time of this audit

Further work in this area will be completed at the year end audit

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.

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N: Publication requirements 2022 AGAR

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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).

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. I look forward to seeing you on 2 May to complete the year end audit.

Yours sincerely

Mike Platten CPFA

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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	
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.	
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.	