

Beverley Bell  
Clerk to Cranleigh Parish Council

19 December 2023

Dear Beverley

**Cranleigh Parish Council - Internal Audit 23-24**  
**Interim Audit**

Following the interim audit completed on 18 December, 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 23-24 Annual Governance and Accountability Return (AGAR). I covered the following at this visit:

- Review of opening balances and reporting of 22-23 audit opinion
- Follow up previous recommendations
- Testing of expenditure first 8 months of financial year
- Testing of income – first 8 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 overall Council has successfully maintained a satisfactory system of financial control. Recommendations 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.

I tested opening balances on the Omega system at 1.4.23 and confirmed they could be agreed back to the audited accounts for last financial year. Box 7 on the Agar for 22-23 was £550,072, this has been agreed to the opening balance sheet on the Omega system.

I confirmed that the Council's VAT returns are up to date, with VAT claimed to the end of September 2023. VAT reclaimed was £10,091. I checked that figures in the VAT return have been derived directly from the RBS system and confirmed with the Clerk that the return was submitted to HMRC on 18 October. I checked the refund into the bank account on 27<sup>th</sup> October. The Q2 VAT claim has been agreed to the month 6 balance sheet, so the VAT nominal account is in balance.

The internal audit for 23-24 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 14). 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.

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 invoices as ready for payment. Payments to suppliers are set up at bank by one councillor and authorised by a second councillor. The clerk then logs in to the bank account and downloads authorisation records ( this is necessary as the bank does not retain authorisation data)

I tested a sample of payments selected at from the cashbook for the first 8 months of 2023-24. 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

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- Invoice signed off by 2 councillors
- transaction included in payments listing reported in Council meeting
- Printed bank records show payment set up by one councillor and authorised by a second councillor

## 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 2023 meeting of the Full Council. I will review this at my final audit visit.

I discussed the issue of cyber insurance with the Council. It is recommended that cyber risks are added to the Council risk assessment, to ensure that this matter is considered annually, and that a cyber risk assessment should be considered with the Council's ICT contractor. Once this has been completed, the Council can consider whether cyber insurance might be required.

I have confirmed that the Council has a valid insurance certificate, with an expiry date of 31 July 2024. Insurance has been arranged by Clear , and the Council is insured with Aviva, Asset cover is monitored by the Clerk and is checked against insurance values held in the asset register. 10 buildings are insured. Asset insurance cover is as follows

| Property Insured  | Declared Value | Sum Insured |
|---|----------------|-------------|
| Buildings   | £5,893,665     | £7,072,398  |
| Contents  | £164,280       | £197,136    |
| Other <b>Property Insured</b> away from the <b>Premises</b> |                |             |
| Street Furniture  | £100,000       | £120,000    |
| Walls, Gates and Fences                                     | £52,819        | £63,382     |
| Playground Equipment  | £266,407       | £319,688    |
| CCTV Equipment  | £44,172        | £53,006     |
| War Memorials   | £75,000        | £90,000     |
| Ground Surfaces   | £362,054       | £434,464    |
| Mowers and Machinery  | £61,447        | £73,736     |
| Sports Equipment  | £61,143        | £73,371     |
| Regalia   | £2,124         | £2,548      |

Fidelity cover has been increased to £1 million since my last audit, this is sufficient given cash holdings at the Council.

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The Clerk completed a backup test of sharepoint data in October 2023. All files checked were successfully restored. The Clerk has also confirmed that RBS back-ups are run every time the system has been updated.

### **D. Budget, Precept & Reserves**

#### **Interim Audit**

I confirmed that the 2024-25 budget and precept setting process had been completed, this was approved at the meeting on 14 December. A precept of £539,388 was set, with the minute also properly recording the 24-25 budget for the Council ( Minute 9.6)

The Council continues to review budget against actuals each quarter, as required by financial regulations. The quarter two budget monitoring report was discussed at the Finance Committee meeting on 13 November 2023. The Clerk prepared a narrative note setting out variances identified as part of the budget monitoring process, and these notes are recorded in minutes. I reviewed the quarter 2 papers. At this point ( half way through the year) the budget, income at 55% of budget and expenditure at 54%.

As usual, I will review reserves 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

I tested a sample of transactions selected from the first six months of the financial year. For all transactions tested, I was able to agree income credited on the accounting system back to bank statement, and to an invoice. Rental payments were agreed to lease / letting agreements, room hires were agreed to approved fees schedules. In all cases I was able to confirm invoicing was correct.

I reviewed the sales ledger. The sales ledger balance at 1 December stood at £14K. Of this balance, there were debts of £5.6K raised before October 2023. The majority of this debt is owed by 2 regular hirers. The Council may wish to require these hirers to pay by direct debit, to reduce the risk of bad debt to the Council.

### **F. Petty cash**

Year end test

### **G. Payroll**

Year end test - the 23-24 pay settlement has only recently been finalised

### **H. Assets and investments**

Year end test

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## 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 reperformed the bank reconciliation for September 2023. I completed the following test:

- Agreed cashbook balances to Omega system ( month 6 balance sheet)
- Agreed bank balances to bank statements
- Checked arithmetic in the bank reconciliation
- Confirmed councillor review of the bank reconciliation

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. The investment strategy was reviewed at May 2023 meeting. (Minute 14 )

## J. Year-end accounts

Year end test

**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.

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

## M: Arrangements for Inspection of Accounts

### Interim Audit

Inspection periods for 22-23 were set as follows

| Inspection - Key date             | 22-23 Actual        |
|-----------------------------------|---------------------|
| Accounts approved at Full Council | 26 May 2022 Council |
| Announcement                      | 1 June              |
| Inspection period begins          | 5 June              |
| Inspection period ends            | 14 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 2023 AGAR**

**Interim Audit**

I confirmed that the Council has correctly loaded the audited accounts, annual governance statement and audit certificate for 22-23 on to the Council website. The conclusion of audit certificate has been correctly published, with a date of 17 August, in advance of the 30 September deadline. The Council received a clear audit certificate from the external auditors dated 14 August, 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 9.7).

**O. Trusteeship**

**Interim Audit**

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

The 22-23 annual return was submitted to the Charity Commission on 26 October 2023, before the regulatory deadline. A meeting of the Charity was held separate to Council meetings in May 23.

I would like to take this opportunity to thank you for your assistance with the audit. I attach my invoice. I will be in touch in May to make arrangements for the year end audit.

Yours sincerely

Mike Platten CPFA

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# April Skies

## Accounting

### APPENDIX A Points Forward – Action Plan - Interim Audit

| Matter Arising   | Recommendation   | Council Response |
|--|--|------------------|
| I discussed the issue of cyber insurance with the Council.   | It is recommended that cyber risks are added to the Council risk assessment, to ensure that this matter is considered annually, and that a cyber risk assessment should be considered with the Council's OCT contractor. |                  |
| Debtors at 1 December stood at £14K. Of this balance, there were debts of £5.6K raised before October 2023. The majority of this debt is owed by 2 regular hirers. | The Council may wish to require these hirers to pay by direct debit, to reduce the risk of bad debt to the Council   |                  |

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