

Beverley Bell
Clerk to Cranleigh Parish Council

10 May 2024

Dear Beverley

Cranleigh Parish Council - Internal Audit 23-24
Final Audit Report

The internal audit for the 23-24 financial year is now complete. I am pleased to report that I have signed off the internal audit section of the Annual Governance and Accountability Return (AGAR) for 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 23-24. Recommendations are set out at Appendix A.

The audit was carried out in two stages. The interim audit was carried out on 18 December, this concentrated on in year financial transactions and governance controls. The final audit was carried out on 10 May and concentrated on the statement of accounts and balance sheet.

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Company Registration Number 14174016
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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 27th 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.

Final Audit

The accounting statements have been agreed back to year end reports produced from the Rialtas accounting system. All comparatives reported in the financial statements have been agreed back to the audited 22-23 accounts, as published on the Council website. Arithmetic in the financial statements has been checked.

I confirmed that the VAT return for period January to March 24 has been completed and submitted to HMRC. VAT of £17,000 was reclaimed, the refund has been received, and checked into the cashbook in April 24. VAT reclaimed has been agreed to a schedule of transactions on the RBS VAT report for quarter 4 23-24.

My interim report was considered at the January Full Council meeting (minute 10.7)

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.

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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
- 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

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £ 462,493, up from £347,936 in 22-23 .

New Financial Regulations based on the revised NALC template have been prepared by the Clerk, these will be considered at the May 24 Council meeting.

I tested 4 further payments from the final 4 months of the financial year and confirmed the following

- VAT correctly accounted for
- Expenditure appropriate for this council
- Invoice authorised by 2 councillors at bank
- transaction included in payments listing reported in Council meeting
- Payment per cash book agreed to invoice

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 2024 meeting of the Full Council. I will review this at my final audit visit.

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Accounting

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 Property Insured away from the Premises		
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.

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.

Final Audit

The risk assessment was considered at the January 2024 meeting of Full Council (minute 15). The Council specifically considered cyber insurance within minutes. I have reviewed the risk assessment and it appears sufficient for a council of this size, with evidence of update in year. The risk assessment is supported by detailed risk assessments for individual activities and assets.

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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%.

Final Audit

Reserves at 31 March 2024 were £490,429 (22-23 £550,072).

General reserves at year end were £190K. This represents 40% of precept, which is at the mid-point of recommended levels set out in the NALC Practitioners' Guide.

Earmarked reserves at 31 March 24 were £300,643. The largest earmarked reserves are:

- £67K - Community Infrastructure Levy
- £64K - Village Hall Architect Fees ,
- £44K - MUGA - s106 monies
- £38K – Paths and Road – section 106 monies

Other reserves are in place to support assets, expenditure contingencies and projects. Each quarter the finance committee considers reserve balances as part of budget monitoring processes. I am satisfied that earmarked reserves are well managed and appropriate for this Council.

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.

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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.

Final Audit

Precept per box 2 to the accounts was £487,004 (22-23 £445,582). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £167,174 (22-23 £185,441). I reviewed a small sample of income credits from the final quarter of the financial year. For transactions selected I was able to agree income back to invoice, and to appropriate supporting documentation:

- Snoxhall car park income - agreed to invoice / bank and Waverley parking records.
- Rental for hall – checked to bank / to invoice and licence agreement
- Village hall hire – one off - agreed to bank invoice and approved fees and charges schedule

F. Petty cash

£250 held at year end – confirm count has occurred and has been signed off by 2 councillors. Year end count balance agrees to the accounting system.

G. Payroll

Interim and Final Audits

Staff costs per box 4 to the accounts were £251,328 (22-23 £249,222).

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 2023. 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.

At the year end audit I confirmed that box 4 on the accounting statements only contained staff salary and payroll costs, as required by regulations.

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H. Assets and investments

Final Audit

Fixed assets per box 9 to the accounts were £ 2,337,488 (22-23 £2,286,620).

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.

Additions of £50,868 have been recorded on the asset register. Main items were £35,972 for a new storage compound, and £6,450 for a grounds spiker. These have been added to the asset register at cost.

No disposals in 23-24. It is recommended that a check is completed in 24-25 to ensure that all assets are still in place and usable.

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)

Final Audit

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

Cash per box 8 to the accounts was £496,077 (22-23 £549,924)

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 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 .

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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.

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 final audit:

- Payments data – published to end of March 2024
- Community Infrastructure Levy report – 22-23 report published.
- Parking information
- Grant information

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.

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).

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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 attach my invoice for your consideration together with the internal audit report from the AGAR. I would like to take this opportunity to thank you for your help with the audit. I look forward to working with you again next year, in the meantime please do not hesitate to contact me if I can be of any assistance.

Yours sincerely

Mike Platten CPFA

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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.	Noted in minutes for annual risk assessment review
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	Checked at year end, these debts had been cleared

Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
Fixed Asset Register	It is recommended that a check is completed in 24-25 to ensure that all assets are still in place and usable.	

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