

Tina Miles
Wouldham Parish Council

25 May 2023

Dear Tina

Wouldham Parish Council
Internal Audit 2022-23

The internal audit of Wouldham 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 at Appendix A. I set out a schedule of tests not completed at this audit at Appendix B, these tests are not relevant to WPC.

The audit was carried out in two stages. The interim audit was carried out on 11 January 2023, this concentrated on in year financial transactions and governance controls. The final audit was on 25 May 2023. This concentrated on the statement of accounts and transactions from the last 2 months of the financial year.

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A. Books of Account **Interim Audit**

The Council accounts uses an excel spreadsheet to account for income and expenditure. Given the size of the Council, and the amount of work necessary to produce budget monitoring reports, VAT returns and the annual financial statements, **I strongly recommend that the Council purchases an accounting system and uses this to record financial records from 1st April 2023.** I recommend industry specific applications such as Rialtas or Scribe for a council of this size.

However, my audit testing showed that supporting documentation could be readily located from records recorded on the excel spreadsheet and all key reconciliations were up to date. I tested opening balances on the excel spreadsheet. The opening balance on the spreadsheet was £69,270, this agrees to box 7 on the AGAR for 22-23.

I confirmed that the Council's VAT returns are up to date, with VAT claimed for the period February to August 2022. I have a number of recommendations for improvement relating to VAT processes

- Going forward VAT should be aligned to the financial year, so next VAT return should be for the period to 31 March 23.
- there is a small imbalance between the VAT claimed and transaction listing prepared to support the claim - this should be checked and the correct listing sent to me.
- VAT is not entered into the cashbook on an ongoing basis, with VAT prepared from invoices. The cashbook should be updated with VAT as payments are made to suppliers

The VAT refund has been checked to receipt at bank on 31 August.

The Council reviewed the previous internal auditor's final audit report at the May meeting of Full Council. I have unable to locate minutes confirming that the external audit opinion for 21-22 has been reported to Council. This should be actioned at the next meeting.

Final Audit

The accounting statements have been agreed back to the Council's excel workbook. All comparatives reported in the financial statements have been agreed back to the audited 21-22 accounts as published on the Council website. Arithmetic within the workbook has been checked, and the year end cashbook balance agrees to the accounting statements box 7.

I confirmed that the VAT return for period September 22 to March 23 has been completed and submitted to HMRC. A Vat reclaim of £2370 has been made, this is supported by a schedule of transactions extracted from the accounts workbook.

My interim report was considered at the Full Council meeting in March 2023, and recommendations were properly considered. - minute 7.3. The Council has met its obligation to consider the work of audit.

I am satisfied that the Council met this control objective.

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B. Financial Regulations & Payments

Interim Audit

Financial Regulations and Standing Orders were last reviewed by Council in 2021 – these documents should be reviewed annually, and updated in line with NALC templates.

The Council follows the following procedure when paying suppliers. Invoices are sent to the Parish Clerk who checks the invoice against orders and ensure payment is properly due. A payment list is then prepared for the councillor finance team. Invoices are checked by the finance team, these councillors sign off invoices as ready for payment on the payment listing. The Clerk then sets up and authorises payments from the Council's bank account. This process appears consistent with the Council's financial regulations, and separation of duties is provided by the requirement for councillor review of all payments.

I selected a sample of transactions from the current bank account. For all transactions tested, I was able to confirm

- Invoice in place
- Expenditure incurred for legitimate purposes
- Payment included in payment listing signed off by finance team councillors
- Transaction correctly entered into cashbook

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £30,382, up from £27,242 in 21-22.

I note that Standing Orders and Financial Regulations have been reviewed since my last visit to the Council – This was actioned at the February meeting and is noted in minutes – reference 7.2. and 7.3

No further transaction testing was carried out at the final audit, sufficient assurance was obtained at my previous audit. I am satisfied that the Council has 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 was approved at the January 2023 meeting of the Full Council. I reviewed the minute at my final visit. I have reviewed the risk assessment, it covers risks anticipated in a council of this size.

I have confirmed that the Council has a valid insurance certificate, with an expiry date of 8 September 2023, insurance is held with Zurich Municipal . The Council reviews its insurance requirements as part of the renewal process. I building is insured, the Village Hall, with an insurance value of £274K. Other assets insured include:

- Playgrounds - £78K
- Street Furniture - £72K
- Fences - £34k

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Money cover is currently set at £250K. This is sufficient, given bank balances at this council. The Council's computer data is backed up to one drive cloud storage , back up is also saved weekly to a memory box held at the Clerk's home

D. Budget, Precept & Reserves

Interim Audit

I confirmed that the 23-24 budget and precept has been set, this was resolved at the January 2023 meeting of Full Council. A precept of £71,828,85 was set , this is properly recorded in minutes alongside the approved budgeted income and expenditure for 23-24. This has been confirmed to the minutes at the year-end audit. Precept has been reduced by 3% and a balanced budget has been set, the district council will be informed in time for the deadline of 20 January.

Budget monitoring reports are sent to the Finance Team as required, and to Full Council every 3 months. I checked the report issued for the January meeting.

I review reserves at my final audit. The Clerk informs me that there are no earmarked reserves on the Council balance sheet. I therefore recommend that a review of council reserves is completed before year end and earmarked reserves set up, where the Council has identified future projects, or future demands on the precept. As a guide, general reserves for a council of this nature should be around 50% of precept at year end.

Final Audit

Reserves at 31 March 2022 were £90,907 (21-22 £69,270).

The Council has reviewed its reserves since my last audit. This review was minuted at the March meeting of Council. Earmarked reserves of £69,000 have been established – these are set out below

Village Hall (refurb) 5 years	10000
Play Equipment 5 years	20000
Mens Shed 3 years	15000
Car Park Lighting 2 years	5000
Benches (replacements/new) ongoing	5000
Renew steps on footpath at Black Robbin 1 year	5000
Community Minibus 4 years	3000
Landscaping 2 years	1000
Yellow Lines/Bollards	5000

This leaves a general reserve balance of £22K. This is 30 % of precept, and within the limits of best practice set out in the JPAG Practitioners' Guide. I consider this general reserve balance to be in line with guidance for a council of this size.

I am satisfied that the Council met this control objective.

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E. Income

Final Audit

Precept per box 2 to the accounts was £71,972 (2021-22 £66,153). This has been agreed to third party documentation provided by central government.

Income per box 3 to the accounts was £9,490 (2021-22 £12,820).

I checked one transaction selected from the cashbook

02-Dec-22	TMBC	Inv: 1003&4 (106 Monies)	3365.00
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This has been checked to notification from the district council. This funding was spent on playground repairs in 22-23 financial year, so no reserve is needed to manage this money.

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

F. Petty cash

The Council does not use petty cash.

G. Payroll

Interim Audit

Interim and Final Audits

Staff costs per box 4 to the accounts were £18,995 (2021-22 £19,151).

Payroll is processed by an external agency Thomson Elphick . I carried out testing of payments made to staff in July 2022. Payment is included in the payment authorisation slip signed off by councillors. I agreed cashbook payments to the clerk back to payroll information produced by the payroll agency. I tested for the Clerk's pay that:

- Net pay per cashbook agreed back to payslips
- Pay for clerk confirmed as part of annual precept workings
- Basic pay per payroll could be reconciled back to appropriate NJC pay grade once working hours adjustments had been made.

I confirmed that box 4 to the accounts only includes payments relating to the employment of staff – salaries / pension and HMRC payroll taxes.

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

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H. Assets and investments

Final Audit

Fixed Assets per box 9 to the accounts were £159,141 (21-22 £155,875)

The accounting balance has been agreed to the asset register, which is recorded on an excel spreadsheet. All assets have been correctly listed at cost, or proxy cost, as required by regulations. Additions have been identified – main item purchased in 22-23 is the new seesaw, added at cost value of £3672.

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

I. Bank reconciliations

Interim Audit

The Council has 1 bank account with Nat West Bank. Finance Team Councillors check the bank reconciliation each month.

I re-performed the December 2022 bank reconciliation. I found no error in the reconciliation and confirmed that the reconciliation is subject to appropriate councillor review, evidenced by signature on the face of the reconciliation. I recommend that reviewing councillors also sign off the bank statements when reviewing the monthly bank reconciliation.

I am satisfied that the Council is meeting this control objective.

Final Audit

Cash per box 8 to the accounts was £90,907 (21-22 £69,270)

I re-performed the year end bank reconciliation. I was able to agree the balance on the bank reconciliation back to bank statements and cashbook balances recorded in the excel accounting pack. The bank reconciliation was evidenced as reviewed by 2 councillors on the finance review checklist and also on the bank statements.

I am satisfied that this control objective has been met.

J. Year-end accounts

Satisfactory – Accounts have been produced on a receipts and payments basis, this is appropriate as income and expenditure at the Council is below £200k. An explanation of year-on-year variances has also been prepared, with detailed explanations for variances provided.

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 requirement

Interim Audit

Yes – the Council has published statutory documentation as required by the 2015 Transparency Code. The Council has an up to date website, and the 21-22 AGAR and external audit certificate can easily be located on the website. Minutes of Council meetings are published on the website and were up to date at the time of my audit. There is an archive of AGAR documentation on the website, as required by audit regulations.

M: Arrangements for Inspection of Accounts

Interim Audit

Inspection periods for 2021-22 were set as follows

Inspection - Key date	2021-22 Actual
Accounts approved at Full Council	10 May
Announcement date	10 June
Inspection period begins	13 June
Inspection period ends	22 July
Correct length	Yes

The Council has provided evidence that it met this control objective.

N: Publication requirements 2021-22 AGAR

Interim Audit

I confirmed that the Council has correctly loaded the audited accounts, annual governance statement and audit certificate for 2021-22 on to the Council website. The conclusion of audit certificate has been correctly published, with a date of 24 August, after the date of the external audit certificate (23 August) and in advance of the 30 September deadline. The Council received clear audit certificate from the external auditors.

O. Trusteeship

Interim Audit

The Council has confirmed it currently has no trustee responsibilities at present. However, the Clerk has informed me that the Village Hall Charity may be closing in the near future and new arrangements will need to be put in place, this may involve the parish council.

April Skies

Accounting

I would like to take this opportunity to thank you for your assistance with the audit. I attach my invoice and the internal audit report from the AGAR. I look forward to working with you again in 23-24.

Yours sincerely



Mike Platten CPFA

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Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
Given the size of the Council, and the amount of work necessary to produce budget monitoring reports, VAT returns and the annual financial statements, I strongly recommend that the Council purchases an accounting system and uses this to record financial records from 1st April 2023.	I recommend industry specific applications such as Rialtas or Scribe for a council of this size	Council does not agree and this will not be implemented
I have a number of recommendations for improvement relating to VAT process	<p>-Going forward VAT should be aligned to the financial year, so next VAT return should be for the period to 31 March 23.</p> <p>-There is a small imbalance between the VAT claimed and transaction listing prepared to support the claim - this should be checked and the correct listing sent to me.</p> <p>-VAT is not entered into the cashbook on an ongoing basis, with VAT prepared from invoices the cashbook should be updated with VAT as payments are made to suppliers</p>	Now actioned
Financial Regulations and Standing Orders were last reviewed by Council in 2021	These documents should be reviewed annually, and updated in line with NALC templates	Done at February meeting.
The Clerk informs me that there are no earmarked reserves on the Council balance sheet.	I therefore recommend that a review of council reserves is completed before year end and earmarked reserves set	Now actioned - march meeting

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	up, where the Council has identified future projects, or future demands on the precept. As a guide, general reserves for a council of this nature should be around 50% of precept at year end.	
Bank reconciliations	I recommend that reviewing councillors also sign off the bank statements when reviewing the monthly bank reconciliation.	Now actioned - checked to file
I have unable to locate minutes confirming that the external audit opinion for 21-22 has been reported to Council.	This should be actioned at the next meeting.	February meeting – now actioned

No matters to report at final audit

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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
O	Trust Funds	No trusts at this council

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