

Kay Brown
Fretherne with Saul Parish Council

15 June 2023

Dear Kay,

Fretherne with Saul Parish Council

Internal Audit 22-23

The internal audit of Fretherne with Saul Parish Council for the 2022-23 financial year is now complete. The audit was carried out remotely during the week of 15 June 2023.

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– 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 in the detailed report, together with the results of my internal audit work for 2022-23. Recommendations identified in the course of my testing are attached at appendix A. These will be followed up at my next audit. At Appendix B I set out tests not completed as they are not relevant to this Council.

You should now present this report to the next available meeting of Full Council, to assist councillors in the sign off of the Annual Governance Statement.

☎ 07958 990310

✉ mike@aprilskies.co.uk

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6 Uplands Road. Farnham GU9 8BP

A - Appropriate books of account have been kept properly throughout the year

The Council maintains financial records on an excel spreadsheet. My testing confirmed that income and expenditure is balanced to the cashbook and reconciled to bank statements on a regular basis.

I was able to agree the opening balances in the cashbook back to the accounts for 2021-22, by recreating a simple cashbook and reconciling to audited 21-2 accounts and bank balance at 31.3.23. In the course of my testing I confirmed there is a clear audit trail from the accounts to supporting documentation such as invoices. The Council received a clear audit opinion for 21-22, so there is nothing that needs to be taken into account for the 22-23 financial year.

The Council is up to date with VAT. The VAT return for the year to 29 March 2023 has been prepared and submitted to HMRC – the refund has been received from HMRC. . VAT of £1396 has been reclaimed, this is supported by a list of transactions extracted from the cashbook.

The accounting statements have been agreed back to cashbook reports produced from the Council's excel accounting package. All comparatives reported in the financial statements have been agreed back to the audited 2021-22 accounts as published on the Council website.

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

B - The Council's financial regulations have been met, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for

Non pay expenditure per box 6 to the accounts amounted to £15,153, up from £13,674 in 2021-22.

Standing Orders and Financial Regulations are based on NALC templates. These were last reviewed at the Council Meeting in May 2023,

I note that the Council currently makes all payments by cheque, but that the Clerk is setting up councillors to use online banking going forward.

The Council has a clear process for making payments to suppliers. Payments are approved at monthly meetings, after invoices have been reviewed by the Clerk and by councillors. The Clerk then sets up payments on cheques, these are signed by 2 councillors as bank signatories.

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I carried out a sample test of non-pay expenditure transactions selected at random from cashbook throughout the financial year. I was able to confirm the following for all transactions:

- Payment agreed to invoice
- Invoice approved for payment at meeting of Full Council, recorded in minutes
- Expenditure appropriate for this Council
- VAT accounting correct

I am satisfied that the Council met this control objective.

C - The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The Council is insured with Hiscox on a standard local council package, The policy was in date at time of audit, with a start date of August 22, cover continuous until the policy is cancelled. Asset cover appeared satisfactory with coverage included for three categories

- Street furniture - £16K
- War memorials - £30K
- Playground equipment - £51K

Money cover is sufficient at £250K. This is comfortably in excess of cash balances held by the Council.

The Council risk register was considered at the Full Council meeting in July 2022 – minute 200722. I have reviewed the risk assessment. It is based on an industry template, and covers risks I would anticipate at a council of this size. At the time of the risk assessment, the Council backed up computer data to an external hard drive. I recommend that the council moves to Office 365 cloud storage for computer data.

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

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D - The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Final Audit

Reserves at 31 March 2023 were £48,664 (21-22 £48,230).

The Council has not established any earmarked reserves at present. The general reserve is therefore £48.6K, and is around 3 times the size of the precept. This is contrary to best practice, as set out in the JPAG Practitioners' Guide which states:

General reserves:

- 5.32. The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.
- 5.33. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure.

It is therefore recommended that the Council should review reserve balances in the course of 23-24. This review should earmark reserves as appropriate. Earmarked reserves are typically held :

- to fund future projects
- to support contingency events
- to fund asset maintenance.

The general reserve should be brought down to a balance consistent with best practice guidance, as set out above.

I confirmed regular budget monitoring reports, as required by financial regulations, are being produced for Council meetings. Prior to each meeting, copies of invoices, payslips, the bank reconciliation and the cashbook is circulated to all Councillors so that they have visibility of spending to date and how this relates to the budget. This is approved in the financial section of the agenda/meeting. I reviewed the report produced for the April 23 meeting, the report was accurate, and is derived directly from the cashbook.

The Council approved the budget for 23-24 at the Council meeting on 26th January 2023 – minute 140123. A detailed budget has been prepared and is held on the Council excel accounting workbook. Precept was approved at the same meeting - minute 150123. A precept of £16,500 was approved for 23-24.

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

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E - Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Precept per box 2 to the accounts was £16,500 (2021-22 £32,500). This has been agreed to third party documentation provided by central government.

Income per box 3 to the accounts was £4,339 (2021-22 £11,785).

I agreed the receipt of 2 credits from Gloucestershire CC amounting to £1627 to remittance advice notes. I am content that this control objective has been met

F - Petty cash payments were properly supported by receipts; all petty cash expenditure was approved and VAT appropriately accounted for.

Satisfactory. My testing confirmed that the Council does not use petty cash.

G- Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.

Staff costs per box 4 to the accounts were £5,251 (2021-22 £4,762).

Payroll is processed externally - any amendments are processed by the payroll provider prior to payment per the payment process outlined in section B above.

I confirmed that the accounts only include payments relating to employment of staff in box 4 to the accounts. I tested the February 2023 payment to the Clerk, and was able to agree the cashbook entry to payslip. From there I was able to confirm gross pay to pay award for scale 11 on the JNC payscale for 22-23.

Pay has been confirmed to pay award letter from the Chairman of the Council to the Clerk dated November 22.

H - Asset and investments registers were complete and accurate and properly maintained.

Fixed assets per box 9 to the accounts were £ 63,247 (21-22 £60,865). 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. I checked arithmetic, and the accounts balance agrees to the assets listed on the asset register.

5 items have been added to the asset register, all added at cost or proxy cost. I tested the new lap top, which has been added to the asset register at the purchase cost recorded in the cashbook.

I am satisfied that the asset register can be reconciled to the fixed asset balance recorded in the accounts.

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I – Periodic and year-end bank account reconciliations were properly carried out.

Final Audit

Cash per box 8 to the accounts was £48,664 (21-22 £48,230)

I was able to confirm that the bank account is reconciled to the cashbook each month, via the cashbook spreadsheet. I was also able to confirm, by reference to minutes of council meetings, that the bank reconciliation is discussed regularly.

I reperformed the year end bank reconciliation. For all bank accounts I was able to agree the balance on the bank reconciliation back to bank statements and cashbook balances recorded on the excel spreadsheet. I note that the reconciliation has been reviewed by a councillor.

I am satisfied that the Council met this control objective.

J - Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.

Satisfactory – Fretherne with Saul PC has compiled accounts on the receipts and payments basis, which is permitted as both receipts and payments are below £200K.

I am satisfied this control objective has been met.

K: If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt.

Not applicable, Council completed limited assurance review. The Council is permitted to certify itself as exempt in 22-23 as both receipts and payments are below £25K

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

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.

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M - Arrangements for Inspection of Accounts

Inspection periods for 21-22 accounts were set as follows

Inspection - Key date	21-22 Actual
Accounts approved at Full Council	20 June Full Council
Date Inspection Notice Issued	22 June
Inspection period begins	22 June
Inspection period ends	3 August
Correct length	Yes

The Council should ensure that there is a clear day between the date of the announcement of the inspection period and the day that the inspection period starts in 22-23. This is a regulatory requirement and Councils have been had negative feedback from external audit where this has not been actioned.

N: Publication requirements 2021-22 AGAR

The Statement of Accounts, Annual Governance Statement and the external audit certificate for 21-22 are published in document archive section of the Council website. The external audit certificate was clear, bar comments in the other matters section of the report relating to 21-22 accounts approval. There are no matters to take into consideration in the 2022-23 accounts. The Conclusion of Audit certificate was published on 29 September, after the date of the audit certificate (24 September), and before the regulatory deadline of 30 September . The external audit certificate was reported to the meeting of Full Council on 28 September. The Council met the requirements of this control objective.

O - Trust funds (including charitable) The council met its responsibilities as a trustee.

Satisfactory –The Council has confirmed to me that the Council is not sole trustee of a charity.

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April Skies

Accounting

I would like to thank you for your assistance with the audit. I attach the internal audit report from the AGAR and my invoice, for your consideration. In the meantime, do not hesitate to contact me if you have any questions at all.

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

Yours sincerely



Mike Platten CPFA

☎ 07958 990310

✉ mike@aprilskies.co.uk

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Appendix A – Recommendations

Points Forward – Action Plan

Matter Arising	Recommendation	Council Response
At the time of the risk assessment, the Council backed up computer data to an external hard drive.	I recommend that the council moves to Office 365 cloud storage for computer data	
The Council has not established any earmarked reserves at present. The general reserve is therefore £48,6K, and is around 3 times the size of the precept. This is contrary to best practice, as set out in the JPAG Practitioners' Guide.	It is therefore recommended that the Council should review reserve balances in the course of 23-24. This review should earmark reserves as appropriate. The general reserve should be brought down to a balance consistent with best practice guidance, as set out above.	
The Council should ensure that there is a clear day between the date of the announcement of the inspection period and the day that the inspection period starts in 22-23.	This is a regulatory requirement and Councils have been had negative feedback from external audit where this has not been actioned.	

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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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