

Kay Brown

Fretherne with Saul Parish Council

23 November 2023

Dear Kay,

**Fretherne with Saul Parish Council**

**Interim Internal Audit 23-24**

Following the virtual interim audit completed on 23 November, 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 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 overall Council has successfully maintained a strong system of financial control. Recommendations are set out 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 - Appropriate books of account have been kept properly throughout the year**

**Interim Audit**

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 22-23 as published on the Council website by recreating a simple cashbook. In the course of my testing I confirmed there is a clear audit trail from the accounts to supporting documentation such as invoices.

VAT is reclaimed at financial year end, I will check the VAT return at my year end audit.

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

**Interim Audit**

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

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 online, these are authorised at bank by 2 councillors.

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
- Payment approved by 2 councillors - checked authorisation emails for one transaction
- Expenditure appropriate for this Council

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

**Interim Audit**

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<sup>nd</sup> 2023, cover continuous until the policy is cancelled. No buildings are insured. Main areas of asset cover are:

- Street furniture - £17K
- War memorials - £33K
- Playground equipment - £55K

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

The Council risk register was is due to be considered at the Council meeting on 2<sup>nd</sup> November – I will review at my final audit.

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

**Interim Audit**

The Council has begun work on the 24-25 budget. Initial thoughts on projects for the next three years are being discussed in the meeting to be held on 2nd November. Full budget discussion will begin in November. This will be finalised at the January 2024 meeting.

I raised the issue of the Council's reserve balances at my last audit. I understand reserves are being considered as part of 24-5 budget setting. I remind the Council to review reserve balances in the course of 23-24. This review should

- Define earmarked reserves and balances to be held
- Earmarked reserves should then be recorded in accounting records, for example on the monthly bank reconciliation.

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 October 23 meeting, the report was accurate, and is derived directly from the cashbook.

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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.**

**Interim Audit**

I confirmed that Fees and Charges for 23-24 were approved at January 2023 Council meeting ( minute 130123)

I checked the receipt of

- 1 credit from Gloucestershire CC amounting to £720 to a remittance advice note
- 2 further credits from Stroudwater Bene Birketts have been tested, amounting to £1,693. These are the initial repayments of Land Tribunal costs and have been agreed to remittance notes from the solicitor. I note that the Council is working to agree a repayment plan for monies owed as a result of the Land Tribunal decision.

**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.**

**Interim Audit**

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 tested the August 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 12 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, the 23-24 pay award had not yet been finalised.

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

Year end test

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

**Interim Audit**

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 September 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 confirmed with the Clerk that the reconciliation was reviewed at the November Council meeting.

I have one recommendation. The bank reconciliation should include movements on the cashbook in the course of the financial year, so that the reviewing councillor can more readily check cashbook balances back to the accounting spreadsheet.

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.**

Year end test

**K: If the authority certified itself as exempt from a limited assurance review in 2022-23 it met the exemption criteria and correctly declared itself exempt.**

Yes the council met the exemption criteria and declared itself exempt from the limited assurance review

- Income and expenditure below £25K
- The authority was in existence on 1 April 2018
- No statutory external audit reports

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**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 22-23 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 as required by regulations.

**M - Arrangements for Inspection of Accounts**

Inspection periods for 22-23 accounts were set as follows

<b>Inspection - Key date</b>	<b>22-23 Actual</b>
<b>Accounts approved at Full Council</b>	28 June Full Council
<b>Date Inspection Notice Issued</b>	29 June
<b>Inspection period begins</b>	30 June
<b>Inspection period ends</b>	10 August
<b>Correct length</b>	Yes

**N: Publication requirements 22-23 AGAR**

The Statement of Accounts, Annual Governance Statement and the exemption certificate for 22-23 are published in [Parish Accounts Audit – Fretherne with Saul Parish Council](#) section of the Council website.

All required information has been published.

**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

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Accounting

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I would like to thank you for your assistance with the audit. I attach my invoice, for your consideration. I will be in touch in February to make plans for the final audit. In the meantime, do not hesitate to contact me if you have any questions at all.

Yours sincerely



Mike Platten CPFA

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## Appendix A – Recommendations

### Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
<p>I raised the issue of the Council's reserve balances at my last audit. I understand reserves are being considered as part of 24-5 budget setting.</p>	<p>I remind the Council to review reserve balances in the course of 23-24. This review should</p> <ul style="list-style-type: none"> <li>- Define earmarked reserves and balances to be held</li> <li>- Earmarked reserves should then be recorded in accounting records, for example on the monthly bank reconciliation.</li> </ul>	
<p>Bank Reconciliation .</p>	<p>The bank reconciliation should include movements on the cashbook in the course of the financial year, so that the reviewing councillor can more readily check cashbook balances back to the accounting spreadsheet</p>	

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