

Marie Singleton  
Clerk to Aldingbourne Parish Council

22 April 2024

Dear Marie

**Aldingbourne Parish Council**

**Internal Audit 2023-24**

The internal audit for the 23-24 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 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. I set out a schedule of tests not completed at this audit at Appendix B, these tests are not relevant to this Council.

The audit was carried out in two stages. The interim audit was carried out remotely on 13 November, this concentrated on in year financial transactions and governance controls. The final audit was carried out remotely on 22 April and concentrated on the statement of accounts and balance sheet.

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

### **Interim Audit**

The RBS Alpha accounting system is used effectively. Financial records were up to date at the time of my audit, and all referencing on the accounting system was clear. The accounts folder is updated each month, upon closure of the accounting period by the Clerk. Key documents, including the trial balance, nominal ledger, bank reconciliation and bank statements are printed and filed in the accounts folder, together with invoices from suppliers, remittance advices and sales invoices.

I reviewed VAT records on the Council's accounting system. The VAT return for the first 6 months of 23-24 has been prepared but has not been submitted to HMRC as yet, the Clerk confirmed that an annual VAT return will be submitted at year end.

I checked that the opening trial balance produced from the accounting system could be agreed to box 7 of the audited accounting statements for 22-23 (£348,701)

The Council reviewed my last audit report at the May meeting of Full Council. The recommendations raised were noted and an action plan agreed.

### **Final Audit**

The accounting statements have been agreed back to year end reports produced from the 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.

I confirmed that the VAT return for period 1 April 23 to 31 March 24 has been completed and submitted to HMRC. This was submitted to HMRC on 4.4.24. VAT of £7,741 was reclaimed. VAT reclaimed has been agreed to a schedule of transactions produced by the Rialtas system. VAT reclaimed also agrees to VAT account code 515 (VAT on payments) on the trial balance. This refund was received at bank on 22 April 24.

My interim report was considered at the November Council meeting (minute 1281-d)

## **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**

The Council has a well-established set of policies and procedures. These are published on the website, and are comprehensive, and subject to regular review. Financial Regulations were updated at the Full Council meeting of May 2023, alongside the Standing Orders and Code of Conduct.

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I selected a small sample of expenditure transactions at random from the first six months of the financial year. For each transaction selected I completed the following tests:

- Checked payment per accounting system agreed to invoice,
- Confirmed that for BACS payments – transaction loaded to bank by Clerk, authorised by 2 from a panel of 6 councillors
- Checked payment approval noted in minutes of Council meeting,
- Checked payment listing signed by Chairman.
- Confirmed VAT accounting correct on the ledger
- Checked expenditure appropriate for the Council

The Council has a robust system for the authorisation of payments in place and financial regulations were followed for all transactions sampled. The Council is meeting this control objective.

One item sampled was a payment of £7,837 to the Westergate Recreation Fund. I have confirmed this to minutes – see below, and note this is the transfer of charity monies, previously incorrectly held in the Parish Council accounts.

- a. It was noted that the NS&I Accounts were closed. It was agreed that the money from the Sportsfield Capitalisation fund was to be transferred to the Westergate Recreation Ground Fund Account - £7,387.89. Proposed Cllr Flitter, seconded Cllr Blaylock and agreed by all councillors in attendance.

### **Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £ 68,818, down from £82,130 in 22-23.

I tested 2 further payments and repeated the tests set out at the interim audit. For both payments tested I was able to confirm that

- Checked payment per accounting system agreed to invoice,
- Checked payment approval noted in minutes of Council meeting,
- Confirmed VAT accounting correct on the ledger
- Checked expenditure appropriate for the 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 Zurich Municipal on a standard local council package. The policy was in date at time of audit, with an expiry date of 31 May 2024. Fidelity insurance is set at £ 50,000. This was reviewed by Council as part of the insurance renewal process, and the Council is satisfied that coverage is sufficient, given mitigating controls such as dual signatory bank accounts.

Asset cover appeared satisfactory, with coverage consistent with the asset register. No buildings are insured, with the main assets covered as follows:

- Sport centre equipment – sum insured £50K
- CCTV - sum insured £14.5K
- Sculpture - sum insured £15K
- Bus shelter - sum insured £16K

The risk assessment for 2023/2024 was reviewed and approved at the Full Council Meeting 03.10.23 (minute 1244) Further risk assessment reviews are carried out every 6 months I have reviewed the risk assessment - it appears comprehensive and is actively managed by the Council, feeding into the budget setting process.

All computer data is backed up by the Council's IT contractor, JNR Computer Services . The Clerk has confirmed a successful back-up and restore test has been completed in 23-24. Accounting data is cloud hosted by the software provider, so the Council has assurance that the accounting data is backed up via contractual arrangements.

**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 is well advanced in preparations of the 24-25 budget. The 3 year business plan has been updated and reviewed by the Finance Committee - meeting of 17.10.23. This has been updated to include new projects, and potential CIL projects. The 24-25 precept was agreed at the Full Council meeting in November, subject to final confirmation at Full Council after receipt of tax base.

The Clerk continues to report the Council's budgetary position, as required by financial regulations. I confirmed the quarter 2 budget v actuals report was reported and discussed at the October meeting of Finance Committee (minute 193). I reviewed the report and no areas of concern were identified. I am pleased to see that the Council uses RBS reporting for all budget monitoring reports.

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### **Final Audit**

Reserves at 31 March 2023 were £460,222 (22-23 £348,701).

Earmarked reserves at 31.3.24 were as follows:

<u>Account</u>	<u>Opening Balance</u>	<u>Net Transfers</u>	<u>Closing Balance</u>
321 EMR - ACSC Rebuild	213,745.00	20,000.00	233,745.00
322 EMR - Artwork Project Maintena	5,341.25		5,341.25
323 EMR - CIL	31,275.00	48,069.00	79,344.00
324 EMR - ANP	20,000.00	30,000.00	50,000.00
	<b>270,361.25</b>	<b>98,069.00</b>	<b>368,430.25</b>

General reserves at year end were therefore £91,792. This represents 60% of precept, which is around the mid-point of recommended levels set out in the NALC Practitioners' Guide.

The budget and precept for 24-25 were reviewed and approved at the Full Council meeting on in November 2023 ( minutes 1263). The Council resolved to hold the precept at the 23-24 level. The precept was confirmed at the February meeting of Full Council, after confirmation of council tax base and issue of precept request to ADC.

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

### **Interim Audit**

The Council has received £48K CIL monies in the financial year to date . I agreed this to 2 remittance notes from ADC. Grants of £15K have also been received. I agreed details of the open spaces grant to a remittance note from ADC.

### **Final Audit**

Precept per box 2 to the accounts was £151,778 (22-23 £146,979). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £76,025 (22-23 £55,381). I reviewed an additional income credit, I was able to agree income back to remittance advice note supplied by the district council.

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

No petty cash

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

**Final Audit**

Staff costs per box 4 to the accounts were £45,197 ( 22-23 £40,443).

Payroll at the Council is processed by an external company, DM Payroll. Staff costs for February 2024 were agreed from ledger to payslip. I then agreed gross pay recorded on the payslip to the Clerk's pay award letter signed by the Chair of the Governance and Staffing Committee . The hourly rate set out in the pay award letter has been checked to JNC national scales for 23-24 pay award.

At the final audit I confirmed that box 4 to the accounts only included costs relating to the employment of staff, ( salary and HMRC payments) as required by regulations.

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

**Final Audit**

Fixed Assets per box 9 to the accounts were £136,165 ( 22-23 £135,186)

The figure in the accounts has been agreed to the fixed asset register. This is an excel workbook, arithmetic was checked. The asset register correctly accounts for all assets at cost. This follows accounting rules set out in the Practitioners' Guide. The RFO provided details of changes to the asset register in 22-23 as follows

- Assets added to asset register £1,429 – 2 laptops and a bench, added at cost
- Disposals - £450 – broken ipad

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

**Interim Audit**

I reviewed the Finance file, and this demonstrated that the Council bank accounts are being reconciled promptly each month, reviewed by a councillor, and balances reported at Full Council meetings. I reperformed the September bank reconciliation and for both bank accounts I was able to:

- Confirm balances back to bank statements
- Check arithmetic
- Confirm cashbook balance to the Council's RBS accounting system
- Confirm the bank reconciliation has been subject to councillor review, properly evidenced on the bank reconciliation and the bank statement.

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I note that the Council is currently reviewing deposit accounts available, in order to ensure rates of returns are improved. The Council has an investment strategy as required by regulations. This was approved at the Council meeting in March 2023.

## **Final Audit**

Cash per box 8 to the accounts was £460,222 (22-23 £348,701)

Loans per box 10 were nil ( 22-23 £2,012) The Council has paid off the PWLB loan.

I reperformed the year end bank reconciliation. For both bank accounts I was able to agree the balance on the bank reconciliation back to bank statements and cashbook balances recorded on the accounting system . The bank reconciliation was reviewed by a councillor at the April meeting, this has been evidenced on the face of the reconciliation.

I note that the Council has not yet finalised a move of funds to more profitable savings accounts, although this was further discussed at the April meeting of Finance Committee, and the Clerk has confirmed that this is currently being actioned by the Council.

**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.**

## **Interim Audit**

Satisfactory – Accounts have been produced on a receipts and payments basis. This is permitted as this is only the second year that receipts or payments at the Council have exceeded £200K – see table below

	Receipts	Payments
21-22	150990	86170
22-23	202360	123028
23-24	227803	116282

The Council will need to move to accounting on an income and expenditure basis in 24-25. This will require the Council to identify year end debtors / creditors and accruals. The Clerk has raised this matter with RBS, and is in receipt of a quote for necessary system upgrades.

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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**

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. An archive of AGAR documentation is published on the website, as required by regulations. The Council will also need to meet the requirements of the Transparency Code should income exceed £200k on an ongoing basis. This is not onerous, Aldingbourne already meets most of the publishing requirements. An example of good practice in this area is :

[Transparency Information - Windlesham Parish Council \(windleshampc.gov.uk\)](http://windleshampc.gov.uk)

**M - Arrangements for Inspection of Accounts**

Inspection periods for 22-23 accounts were set as follows

Inspection - Key date	22-23 Actual
Accounts approved at Full Council	16 May Full Council
Date Inspection Notice Issued	4 June
Inspection period begins	5 June
Inspection period ends	14 July
Correct length	Yes

All regulatory requirements were met in this regard.

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

The external audit certificate, accounting statements and annual governance statement have been published on the Council website. The conclusion of audit certificate has been published, dated 28 September, before the deadline of 30 September and after the date of the audit certificate ( 17 September). There is an archive of AGAR documentation on the website, as required by regulations. The Council has met its obligations in this area.

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

The council is trustee of the Westergate Recreation Ground – Charity 277880. The annual return for 22-23 has been submitted to the Charity Commission well before the statutory deadline. The Charity is held as a separate company on RBS, and separate meetings are held.

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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**Points Forward – Action Plan - Final Audit**

<b>Matter Arising</b>	<b>Recommendation</b>	<b>Council Response</b>
None		

## 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

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