

Rachael Jones  
South Wonston Parish Council

29 May 2024

Dear Rachael ,

**South Wonston Parish Council**

**Final Internal Audit 23-24**

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 on 19 February, this concentrated on in year financial transactions and governance controls. The final audit was carried out on 27 May and concentrated on the statement of accounts and balance sheet, plus transactions from the final 2 months of the financial year.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

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

#### **Interim Audit**

The Council maintains financial records on the RBS Omega accounting system. This is an industry specific accounting package, and is well suited to a Council of South Wonston 's size and activity level. I have reviewed record keeping, and can confirm that income and expenditure is balanced to the cashbook and reconciled to bank statements on a regular basis. Referencing is satisfactory, I was able to access all information required for audit tests using information recorded in the accounting system.

I was able to agree the opening balance sheet produced from the accounting system (£211,577) back to the published accounting statements for 22-23 ( box 7 £211,577).

The Council is registered for VAT with HMRC, and makes VAT submissions using MTD processing, directly from the accounting system. The Council is up to date with VAT. The Clerk shared the return for October to December 2023. This was submitted to HMRC on 1 February 2024. VAT reclaimed was £7,133, this has been agreed to accounting reports produced by the RBS system. The VAT refund was checked to the bank statement as received on 7 February 2024. VAT claimed agreed to the balance sheet at 31.12.23.

#### **Final Audit**

The accounting statements have been agreed back to the year-end cashbook. All comparatives reported in the financial statements have been agreed back to the audited 22-23 accounts, as published on the Council website. I tested arithmetic and I am satisfied that the accounting statements and year end bank reconciliation are correctly calculated. Box 7 agrees to the year-end balance sheet.

I confirmed that the VAT return for period 1 January 24 to 31 March 24 has been completed and submitted to HMRC. VAT of £822 was reclaimed. VAT reclaimed has been agreed to the RBS VAT report for quarter 4. This has been checked into the Council bank account on 15 May. VAT claimed agrees to the VAT owed on the VAT control account.

My interim report was considered at the March Full Council meeting ( minute 23/165). The report was included in agenda papers for the meeting, and is published on the Council website.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

**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. Standing Orders were last reviewed at the Full Council meeting in May 23 (minute 23/027). Financial Regulations were last reviewed in April 2023 at Full Council (minute 23/010). The Council is aware that NALC is currently reviewing the model financial regulations. The results of this review should be taken into consideration when SWPC next reviews its own regulations.

The Council makes payments to suppliers using the following process:

Invoices are sent to the Office and reviewed by the Clerk to ensure goods and services have been received. Invoices are collated and a monthly transaction report is prepared on a spreadsheet. This is taken to the monthly meeting, and payments are approved for payment at the meeting. Payments are then made by the Clerk electronically from Council bank accounts. Invoices are signed off as paid by the Clerk on the face of the invoice and a retrospective sign off is also provided by the Chair of the Council.

There is no clear separation of duties in the payment process. It is my recommendation that:

- The Council should review its bank account, and should ensure that it moves to an account that permits 2 or 3 stage authorisation of payments
- Payment processes should be amended to a process where the Clerk sets up payment at bank and a second signatory (from a panel of councillors) approves the payment.

I carried out a sample test of non-pay expenditure transactions selected from the cashbook for the first 9 months of the financial year. Payments were selected from months 2,4,6 and 8.

I was able to confirm the following for all transactions:

- Payment agreed to invoice
- Expenditure appropriate for this Council
- VAT accounting correct
- Approval for payment included in council minutes
- Payment signed off as paid by the Clerk and Chair on the face of the invoice.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

### **Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £ 94,079, down from £77,145 in 22-23 .

2 further transactions were sampled from the month 11 cashbook. I was able to confirm the following for both transactions:

- Payment agreed to invoice
- Expenditure appropriate for this Council
- VAT accounting correct
- Payment in payment listing for a council meeting
- Payment signed off as paid by the Clerk and Chair on the face of the invoice.

The Clerk confirmed that the Council is in the process of reviewing the new NALC template financial regulations. These are due to be considered at the Full Council meeting in June, this is sensible, given the significant changes to the template financial regulations.

### **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 Insurance on a standard local council package, The policy was in date at time of audit, policy starting from 1.10.23, valid until cancelled. The following asset cover is in place:

Premises address	Sum insured
Pavilion, Lower Road, South Wonston, SO21 3HP	£800,000

Item description	Excess	Amount Insured
Total Buildings	£250	£800,000
Gates and fences	£250	£8,428
Fixed outside equipment	£250	£0
Street furniture	£250	£62,638
War memorials	£250	£0
Playground equipment	£250	£198,176
Sports surfaces	£250	£0
Other surfaces	£250	£30,959
Rent receivable	£250	£0

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

It is recommended that the Clerk discusses the insurance value of the pavilion at next renewal. It is usual for insurers to require periodic professional revaluation of insured buildings, this may be due, given the age of the building.

I confirmed with the Clerk that the 23-24 review of the financial risk register is due to be completed at the Full Council meeting in March. I will review this document at my year end audit. I reminded the Clerk that this review should be recorded as a separate minute. The Council general risk assessment was reviewed in November 2023, (minute 23/100)

The Clerk backs up the finance system to the council computer each month, when the cashbook is updated. All computer data is backed up to a hard drive, which is stored in the Parish Office. Back up arrangements are not adequate at present. The back up drive and computer are located in the same office, so there is a risk of Council data being lost permanently. The Council should consider:

- Backing up computer data to a cloud provider, this can be purchased relatively cheaply, and provides ongoing back up accessible from any computer
- Purchasing a new laptop. The current machine is 4 years old, and the Council does not have a back up computer.

### **Final Audit**

The financial risk assessment was reviewed at the Full Council meeting in March 2024 and a minute records this review. I have reviewed the risk assessment and it is sufficient for a council of this size. This will need to be reviewed in some detail in 24-25 to incorporate changes resulting from the new financial regulations.

It is recommended that the Council reviews the number of bank signatories as part of the move to 2 stage payment authorisation at bank. It is important that sufficient signatories are in place to cover absences or access control issues. I recommend a panel of at least 4 signatories is required. Authorisation duties should be rotated round this panel.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

**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 completed the budget setting process for 24-25. The precept and budget was set at the Full Council meeting in January 2024, a precept of £108,375 was set.

I discussed the Council's reserves position with the Clerk. I will complete a more detailed review of reserves at my year end audit.

- I understand that earmarked reserves are monitored on a project list which is regularly reported to Council. I recommend that the Council should load all earmarked reserves on to the Omega accounting system and going forward monitor these reserves using Omega reserve and balance sheet reports.
- The pavilion earmarked reserve is set at £30,600. This seems low for a building of this size. The Council should assess future maintenance costs for the building and build up the reserve to ensure sufficient funds are in place when the building begins to age.

The Council's financial regulations require the following budget monitoring process to be followed:

4.8. The RFO shall regularly provide the council with Budget Monitoring of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. This will be presented in October (showing the 6 month position to the end of September), December (to support the budget decisions for the next year) and June (year end position including the AGAR) and shall show explanations of material variances. For this purpose "material" shall be in excess of £100 or 15% of the budget.

I confirmed that the Council receives regular budget monitoring reports. I confirmed that the quarter 2 budget monitoring report was discussed at Council in October 2023 – minute 23/081. The quarter 3 budget monitoring report was received by Council in January 2024 – minute 23/132. Budget monitoring reports are published on the Council website. I am satisfied that the Council is receiving budget monitoring reports as required by financial regulations.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

## **Final Audit**

Reserves at 31 March 2024 were £194,203 (22-23 £211,577).

Earmarked reserves were reviewed at the March meeting of Full Council (minute 23/165). These were as follows:

<b>Earmarked Reserves March 24</b>	<b>£</b>
Insurance Reserve	2555
Pavilion Maintenance	30600
Urn	500
Highways Works	15030
Water Filling Station	6500
Outdoor Sink	1000
Play Equipment	34000
Bollards and Bins	1000
<b>Total</b>	<b>91185</b>

There is no CIL reserve. The Council has unspent CIL receipts of £29,116. These must be set aside in an earmarked reserve until monies are spent on appropriate projects.

In addition, earmarked reserves are not properly set up on the accounting system. RBS should be contacted. Existing earmarked reserves should be closed and new reserves set up, mirroring those reserves approved at the March 24 Council meeting. The accounting system should then be used to record movements on reserve accounts and reserve balances.

Once CIL balances and earmarked reserves are taken into account, the remaining reserve balance at 31.3.24 (the general reserve) was £73K. This is 68% of precept, which is at the upper mid-point of levels recommended in the NALC Practitioners' Guide. This is not an inappropriate level of general reserve for a council of this size with assets to maintain.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

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

**Final Audit**

Precept per box 2 to the accounts was £108,375 (22-23 £108,375). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £30,008 (22-23 £24,551).

I reviewed a sample of 5 income credits selected from the Lloyds cashbook for the whole of the of the financial year. For transactions selected I was able to check cashbook entries to supporting documentation, such as invoices ( checked back to approved fees and charges for correct billing rate) or remittance advice notes from other councils (CIL). All credits were checked to bank.

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

No petty cash at this Council.

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

**Interim and Final Audits**

Staff costs per box 4 to the accounts were £50,376( 22-23 £47,262).

The Council has two members of staff. Payroll is processed monthly by the Clerk, using the HMRC Basics tool. Once payroll has been processed payments are made from the Council bank account by the Clerk, these payments are reviewed retrospectively by the chairman, and reported to the next Council meeting. I tested salary payments made in December 2023 to the Council's employees. I was able to confirm cashbook entry to HMRC basics reports and payslips. I tested gross pay for both members of staff and was able to confirm staff are being paid contracted rates of pay. I have I recommendation:

- Staff should be issued a pay award letter each year, signed by the Chairman, setting out approved rate of pay, scale point and contracted hours. This should be issued once the JNC payscales have been confirmed each year. This ensures contracted rates of pay are clearly stated annually. The Clerk confirmed the Handyman / Caretaker will be sent a letter in April.

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

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP



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

**Final Audit**

Fixed Assets per box 9 to the accounts were £848,507 ( 22-23 £816,294)

The figure in the accounts has been agreed to the fixed asset register, which is recorded on an excel workbook. The asset register correctly accounts for all assets at cost. This follows accounting rules set out in the Practitioners' Guide. The Clerk provided a schedule of asset changes in the course of 23-24. I checked one item – new fencing at the playground, this has been added at the purchase cost of £12,223.

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

**Interim Audit**

The Council completes bank reconciliations on a regular basis. A review of minutes showed this control has been in place in the 23-24 financial year. I checked the following minutes:

- June 23 meeting - minute 23/039 -May bank reconciliation
- September 23 meeting - minute 23/067 -July and August bank reconciliations
- January 24 meeting - minute 23/132 – December bank reconciliation

I reperformed the bank reconciliation for December 2023, and was able to agree the balance recorded on the reconciliation produced from the RBS accounting system to bank statements and to the balance sheet as at 31.12.23. The bank reconciliation and bank statements have been signed as reviewed by the Chairman of the Council.

**Final Audit**

Borrowing per box 10 to the accounts was £21,944 (22-23 £32,532)

Agreed to year end PWLB statements available on the Debt Management Office Website

Cash per box 8 to the accounts was £205,434 (22-23 £205,451)

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 has been reviewed by a councillor, this has been evidenced on the face of the reconciliation.

The Council now has an Investment Policy in place, this was approved at Full Council on 13 May.

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

**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 – Accounts have been produced on the accruals basis, this is not required as the Council is below the £200k threshold, but is permitted. A box 7-8 reconciliation and a variance analysis has been prepared for consideration by the external auditors

**K: If the authority certified itself as exempt from a limited assurance review in 22-23, it met the exemption criteria and correctly declared itself exempt.**

Not applicable, limited assurance review completed in 22-23

**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 Audit**

The Council is not considered a large Council under the terms of the 2015 Transparency Code, the Code only applies to:

- a parish council which has gross annual income or expenditure (whichever is the higher) exceeding £200,000

However, the Council publishes extensive information, including the following financial data:

- Annual budget
- Schedule of major projects
- Asset register
- Annual risk assessment

I am satisfied that the Council is meeting its obligations in this area.

The Council produces a Community Infrastructure Levy (CIL) Report each year. The document is a little simplistic at present, and should be improved to ensure full compliance with reporting requirements. An example is attached:

[Microsoft Word - FTC CIL report 2020 21.docx \(farnham.gov.uk\)](#)

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

## **M - Arrangements for Inspection of Accounts**

Inspection periods for 22-23 accounts were set as follows

Inspection - Key date	22-23 Actual
<b>Accounts approved at Full Council</b>	5 June Full Council
<b>Date Inspection Notice Issued and how published</b>	28 June - summary of rights also published
<b>Inspection period begins</b>	29 June
<b>Inspection period ends</b>	9 August
<b>Correct length</b>	Yes - 30 days

The Council met obligations in this regard.

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

### **Interim Audit**

External audit have now completed the 22-23 audit following additional work. The external audit was not issued until 5 April 2024, so the Council had not been able to fully action the points raised at the time of my audit. The cost of additional work charged by external audit was £2,875.

The external auditor reported that:

On the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR), in our opinion the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

This means that the external audit certificate for 22-23 has not been qualified.

The external auditors raised a number of points in the Other Matters section of their report. It is my recommendation that the Council works through these points carefully and makes improvements to processes where appropriate. A response should be prepared at a forthcoming Council meeting ready for external audit to review as part of the 23-24 audit.

The Statement of Accounts, Annual Governance Statement are published on the finance and accounts page on the Council website, alongside the external auditor report. The report was discussed at the April meeting of Full Council (minute 24/008).

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

**Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP**

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

The Council is not a trustee of a registered charity. I have confirmed that this is still the case with the Clerk.

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. Please do not hesitate to contact me if you have any questions at all.

Yours sincerely



Mike Platten CPFA

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

## Appendix A – Recommendations

### Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
Payments to suppliers - separation of duties	<p>It is my recommendation that:</p> <ul style="list-style-type: none"> <li>- The Council should review its bank account, and should ensure that it moves to an account that permits 2 or 3 stage authorisation of payments</li> <li>- Payment processes should be amended to a process where the clerk sets up payment at bank and a second signatory (from a panel of councillors) approves the payment</li> </ul>	
It is usual for insurers to require periodic professional revaluation of insured buildings, this may be due, given the age of the building.	It is recommended that the Clerk discusses the insurance value of the pavilion at next renewal.	
Back up arrangements are not adequate at present. The back up drive and computer are located in the same office, so there is a risk of Council data being lost permanently.	<p>The Council should consider:</p> <ul style="list-style-type: none"> <li>- Backing up computer data to a cloud provider, Purchasing a new laptop. The current machine is 4 years old, and the Council does not have a backup computer</li> </ul>	
Staff should be issued a pay award letter each year, signed by the Chairman, setting out approved rate of	<p>This should be issued once the JNC payscales have been confirmed each year. This ensures contracted</p>	

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

# April Skies

## Accounting

pay, scale point and contracted hours.	rates of pay are clearly stated annually.	
The Council produces a Community Infrastructure Report each year.	The document is a little simplistic at present, and should be improved to ensure full compliance with reporting requirements.	
I understand that earmarked reserves are monitored on a project list which is regularly reported to Council.	I recommend that the Council should load all earmarked reserves on to the Omega accounting system and going forward monitor these reserves using Omega reserve and balance sheet reports.	
The pavilion earmarked reserve is set at £30,600. This seems low for a building of this size.	The Council should assess future maintenance costs for the building and build up the reserve to ensure sufficient funds are in place when the building begins to age.	

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

## Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
It is recommended that the Council reviews the number of bank signatories as part of the move to 2 stage payment authorisation at bank. It is important that sufficient signatories are in place to cover absences or access control issues.	I recommend a panel of at least 4 signatories is required. Authorisation duties should be rotated round this panel.	
There is no CIL reserve. The Council has unspent CIL receipts of £29,116.	These must be set aside in an earmarked reserve until monies are spent on appropriate projects	
In addition, earmarked reserves are not properly set up on the accounting system.	RBS should be contacted. Existing earmarked reserves should be closed and new reserves set up, mirroring those reserves approved at the March 24 Council meeting. The accounting system should then be used to record movements on reserve accounts and reserve balances.	
The external auditors raised a number of points in the Other Matters section of their report.	It is my recommendation that the Council works through these points carefully and makes improvements to processes where appropriate. A response should be prepared at a forthcoming Council meeting ready for external audit to review as part of the 23-24 audit.	

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP

## 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 is not exempt
O	Trust Funds	No trusts at this council

☎ 07958 990310

✉ [mike@aprilskies.co.uk](mailto:mike@aprilskies.co.uk)

Company Registration Number 14174016  
6 Uplands Road. Farnham GU9 8BP