

Rachael Jones
South Wonston Parish Council

20 February 2024

Dear Rachael ,

South Wonston Parish Council

Interim Internal Audit 23-24

Following the interim audit completed on 19 February , 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 9 months of financial year
- Risk management and insurance
- Salaries and wages
- Budget monitoring reports and 24-25 budget setting
- Arrangements for inspection and publication of accounts
- Bank reconciliations.

The Council operates a satisfactory system of financial control. I list any recommendations identified 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

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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.

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.

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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.

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

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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.

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.

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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.

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

To be tested at my year end audit

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 Audit

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 1 recommendation:

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- 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 pay scales 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.

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

Year-end test

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 reformed 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.

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 22-23, it met the exemption criteria and correctly declared itself exempt.

Not applicable, limited assurance review completed in 22-23

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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

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 \(farnham.gov.uk\)](#)

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	5 June Full Council
Date Inspection Notice Issued and how published	28 June - summary of rights also published
Inspection period begins	29 June
Inspection period ends	9 August
Correct length	Yes - 30 days

The Council met obligations in this regard.

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N: Publication requirements 22-23 AGAR

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The Statement of Accounts, Annual Governance Statement are published on the finance and accounts page on the Council website. The external audit has not yet been concluded, external audit are carrying out further work arising from correspondence received. An archive of AGAR documentation is published on the Council website, as required by regulations.

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 my invoice, and I look forward to seeing you again on 29 May for the year end audit .

Yours sincerely



Mike Platten CPFA

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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"> - 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 	
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"> - 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 backup computer 	

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Accounting

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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.	
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