

Cat Radford
Harberton Parish Council

15 January 2024

Dear Cat,

Harberton Parish Council – Interim Internal Audit 23-24

Following the interim audit completed remotely on 15 January , 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
- Arrangements for inspection of accounts
- Bank reconciliations.

I am pleased to report that financial controls at the Council remain satisfactory. My recommendations are 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.

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 locate supporting information such as invoices using referencing within the excel workbook.

I was able to agree the opening balances in the cashbook back to the audited accounts for 22-23, as published on the Council website, by recreating the bank reconciliation report. The Council received a clear audit opinion for 22-23, so there is nothing that needs to be taken into account for the current financial year.

The Council last submitted a VAT return for the 22-23 financial year, sent to HMRC in August 23. VAT reclaimed was £325, this was recorded as a receipt in the cashbook on 18.8.23. Annual VAT returns are sufficient for a council of this size.

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 is aware that a redraft of the model financial regulations is being worked on by NALC. This will need to be taken into consideration when the Council next reviews its own regulations.

The Council has a robust system in place for the payment of invoices from suppliers. Before each Council meeting the Clerk prepares a payment schedule, which is sent out with minutes. Invoices are approved at the meeting by councillors, and the approval is recorded in minutes. The Clerk then sends invoices and other supporting documentation to authorised signatories. The Clerk sets up the payment at bank and it is authorised by 2 of 3 authorised signatories. This system is compliant with financial regulations and I make no recommendation for change.

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

- Payment agreed to invoice
- Payment approved within minutes of a Council meeting
- Invoice signed off by 2 councillors at bank
- Expenditure appropriate for this Council
- VAT accounting correct

I note that for 2 transactions tested, there was no record of who had authorised the payment at bank, as this information is not retained by the banking system. Email evidence of councillor approval to pay was shared with me, but the Clerk should endeavour to save authorisation records before they are deleted by the bank.

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, arranged by Gallaghers. The policy was in date at time of audit, with an start date of 12 May 2023, valid until insurance is cancelled. Asset cover is as follows:

Item description	Excess	Amount Insured
Total Buildings	N/A	£0
Gates and fences	£250	£7,353
Fixed outside equipment	£250	£3,781
Street furniture	£250	£37,260
War memorials	£250	£0
Playground equipment	£250	£1
Sports surfaces	£250	£0
Other surfaces	£250	£0
Rent receivable	£250	

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

The risk assessment was last reviewed at the May 2023 meeting of Full Council(minute 20).

The Clerk performed a test of back up data and reported this to the Council meeting in January 2024. This test confirmed that files can be retrieved remotely, so should be available in case of computer failure.

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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.

Interim Audit

The precept and budget for 24-25 were approved at the Council meeting in January 2024 after consideration by Full Council in December 23, and further review by the Finance Committee. I will check minutes at my final audit. The 24-25 budget has been published on the website, and shows a precept of £21,364.

The Council has a well-developed budget monitoring process. The Finance Committee reviews a budget report every quarter. I checked this to Finance Committee minutes for October 2023 (quarter 2). Minute 3.1 records review of this budget monitoring statement.

I will review reserves at my year end audit.

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

Test at year end.

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

I tested the August 2023 payment to the Clerk, and was able to agree the cashbook entry to HMRC basics payroll records . From there I was able to confirm gross pay to pay award for scale point 17 on the JNC payscale for 22-23 (23-24 pay award not confirmed at this time). This was confirmed in a pay award letter signed by the Chair of the Council. Overtime was agreed to a schedule of hours worked, signed off prior to payment by a councillor.

The Clerk is not currently able to log in to the Council's HMRC gateway account – there is a technical issue with the login. The should be resolved so the Council can confirm there are no HMRC liabilities.

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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

I was able to confirm that the bank account is reconciled to the cashbook each quarter, via the cashbook spreadsheet. I was also able to confirm, by reference to minutes of Finance Committee meetings, that the bank reconciliation is discussed quarterly. The reconciliation is reviewed at the meeting, and a member of the committee then signs the reconciliation.

I reperformed the December 23 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 checked arithmetic with the cashbook. I note that the reconciliation has been reviewed by a councillor and this review properly evidenced on the reconciliation and the bank statements.

The Council should note I was only able to agree the Barclays bank account balance (£ 39K) to a statement dated 14 April. The Clerk should look to obtain more regular statements from this account, for example via on line access. I understand that the Council is looking to close this account and move funds to Unity bank, where online access is more straightforward.

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

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 audit certificate can easily be located on the website. An archive of previous year's AGAR documentation is published as required by regulations. Minutes of Council meetings are published on the website and were up to date at the time of my audit.

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	9 May Full Council
Date Inspection Notice Issued	16 May June
Inspection period begins	5 June
Inspection period ends	14 July
Correct length	Yes

The Council has met the requirements of this control objective.

N: Publication requirements 22-23 AGAR

The Statement of Accounts, Annual Governance Statement and the external audit certificate for 22-23 are published on the transparency page on the Council website. The external audit certificate was clear. There are no matters to take into consideration in the 23-24 accounts. The Conclusion of Audit certificate was published on 7 September, after the date of the audit certificate (26 July), and before the regulatory deadline of 30 September. The external audit certificate was reported to the meeting of Full Council on 27 September (minute 9.1). The Council met the requirements of this control objective.

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

No trusts – confirmed by the Clerk.

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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 next month to make arrangements for the year end audit. In the meantime, do not hesitate to contact me if you have any questions at all.

Yours sincerely



Mike Platten CPFA

Appendix A – Recommendations

Points Forward – Action Plan

Matter Arising	Recommendation	Council Response
I note that for 2 transactions tested, there was no record of who had authorised the payment at bank, as this information is not retained by the banking system.	Email evidence of councillor approval to pay was shared with me, but the clerk should endeavour to save authorisation records before they are deleted by the bank.	
The Council should note I was only able to agree the Lloyds bank account balance (£ 39K) to a statement dated 14 April.	The Clerk should look to obtain more regular statements from this account, for example via on line access. I understand the Council will be closing this account.	

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