

Cat Radford
Harberton Parish Council

16 April 2024

Dear Cat,

Harberton Parish Council –Internal Audit 23-24
Final Audit Report

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 15 January, this concentrated on in year financial transactions and governance controls. The final audit was carried out remotely on 16 April and concentrated on the statement of accounts and balance sheet.

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Company Registration Number 14174016
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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 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.

Final Audit

The accounting statements have been agreed back to year end reports produced from the accounting workbook. 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 2023 to 31 March 24 has been completed and submitted to HMRC. This has a submitted date stamp of 8 April. VAT of £697 was reclaimed. VAT reclaimed has been agreed to VAT incurred recorded in the cashbook for 23-24.

My interim report was considered at the February Council meeting (minute 10). Proper consideration was given to recommendations raised, this is recorded in minutes.

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.

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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.

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.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £ 17,942, up from £15,103 in 22-23 .

No further testing was carried out at the final audit – sufficient assurance over compliance with financial regulations obtained at interim audit.

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:

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April Skies

Accounting

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.

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 on 9 January 2024 after consideration by Full Council in December 23, and further review by the Finance Committee. The 24-25 budget has been published on the website, and shows a precept of £21,364. The minutes were checked at my final audit. I note that the precept has been properly minuted – minute 12.2, and the detailed budget is set out within the minutes of the Full Council meeting (minute 12.1)

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.

Final Audit

Reserves at 31 March 2024 were £53,669 (22-23 £60,734).

The Council manages reserves via a tab in the accounts work book. Earmarked reserves at 31.3.24 were £49K. The most significant reserve is the Community Benefit Reserve, set at £31K at financial year end. Other significant earmarked reserves include Parish Lengthsman (£7.5K) and Maintenance (£4.4K).

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General reserves at 31 March 24 were £3,951. This represents 20% of precept and is below the minimum level recommended in the NALC Practitioners' Guide. For a smaller council like Harberton, I would anticipate a general reserve no lower than 50% of precept. The Council currently has minimum funds to meet unexpected costs. I note that this has been discussed at Finance Committee and that a review of Council reserves is to be undertaken at the July Finance Committee.

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 £19,112 (22-23 £18,930). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £845 (22-23 £6,654). No testing carried out, given minimal level of non-precept income in 23-4.

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 and Final Audits

Staff costs per box 4 to the accounts were £9,080 (22-23 £7,736).

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.

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

The Clerk has cleared the issue with log in to the Council's HMRC account. I was shown a screen shot of the Councils payroll account with HMRC and confirmed submissions and payments are up to date.

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

Final Audit

Fixed Assets per box 9 to the accounts were £39,610 (22-23 £39,925)

The figure in the accounts has been agreed to the fixed asset register. 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 - none
- Disposals - £315 – old laptop and webcam

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.

Final Audit

Cash per box 8 to the accounts was £53,669 (22-23 £60,734)

I reperformed the year end 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 accounting system . I recreated the bank reconciliation in excel, thereby checking additions within the accounts workbook and the bank reconciliation.

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The bank reconciliation was has been reviewed by a councillor, this has been evidenced on the face of the reconciliation and the bank statements.

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 a receipts and payments basis, this is appropriate as income and expenditure at the Council is below £200k.

I am satisfied this control objective has been met.

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. The Council will also need an external audit in 23-24, as expenditure exceeds £25K.

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.

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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.

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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Appendix A – Recommendations

Points Forward – Action Plan - Interim Audit

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.	Noted, and in place at year end
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.	Statement in place at year end

Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
General reserves at 31 March 24 were £3,951. This represents 20% of precept and is below the minimum level recommended in the NALC Practitioners' Guide. For a smaller council like Harberton, I would anticipate a general reserve no lower than 50% of precept.	I note that this has been discussed at Finance Committee and that a view of Council reserves is to be undertaken at the July Finance Committee.	

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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
O	Trust Funds	No trusts at this council

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