

Lynne Brooks
Clerk to Kirdford Parish Council

6 June 2024

Dear Lynne,

Kirdford Parish Council - Internal Audit 23-24

Final Audit

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 6 December, this concentrated on in year financial transactions and governance controls. The final audit was carried out remotely on 5 June and concentrated on the statement of accounts and balance sheet.

• 07958 990310

✉ 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 has moved accounting records on to the Scribe accounting system for the 23-24 financial year. This is an industry standard package and will improve financial reporting at the Council. The Clerk is making good use of the application to report and record the financial transactions of the council and a review of the cashbook shows that all data fields are being entered. The document storage function is being used to store invoices and other documents alongside accounting transactions.

I was able to agree the opening balances in the cashbook back to the audited accounts for 22-23. Box 7 in last year's audit accounts was £362,801. This has been agreed to the balance brought forward on the cashbook on Scribe.

VAT return was submitted for the period January to August 2023. VAT reclaimed was £6,561, this has been agreed to a schedule of transactions on the Scribe Section 126 VAT report. Vat has been repaid by HMRC– this has been checked into the bank statement, date 24 November 2023.

Final Audit

The accounting statements have been agreed back to year end reports produced from Scribe accounting system

- Annual Return Report
- Cashbook Report

All comparatives reported in the financial statements have been agreed back to the audited 22-23 accounts, as published on the Council website. I have noted 2 rounding / typo errors on the AGAR, the Clerk will amend before the accounts are approved.

I confirmed that the VAT return for period November 23 to March 24 has been completed and submitted to HMRC. The Clerk confirmed that the claim was submitted on 2 April 24. VAT reclaimed was £3188 – this agrees to a schedule of transactions on the Scribe VAT report for the claim period.

My interim report was considered at the January Council meeting (minute 8d)

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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

Financial Regulations were reviewed at the Council meeting on 16 October – minute 181. 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.

There has been no change to payment procedures this year. Proposed payments are signed off by 2 councillors prior to payment. The Clerk then sets up and authorises the payments at the Council's bank account. Signature of 2 councillors is still required on all payment instructions, and payments must be reported to Council.

I carried out a sample test of 5 non-pay expenditure transactions selected from the payments report in Scribe. I was able to confirm the following for all transactions:

- Payment agreed to invoice
- Invoice signed off by 2 councillors
- Payment on invoice agreed to bank
- Payment approval noted in minutes of council meeting
- Expenditure appropriate for the Council

We discussed upcoming expenditure on the Pavilions. Whilst I can see no issue with reclaiming VAT on the cost of these buildings, as no material income is likely to be generated, it may be sensible to contact a VAT expert before projects commence. I recommend the Parkinson Partnership. [Home \(parkinsonpartnership.uk\)](http://parkinsonpartnership.uk)

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £ 81,067, down from £206,594 in 22-23.

I tested 1 further payment from the Q4 cashbook, a grant payment of £5000 to Kirdford Recreation Ground Committee. I checked the following:

- Cashbook entry agreed to grant award as recorded in minutes:
- Payment set up by Clerk and authorised by 2 councillors – Nat west bank payment confirmation initialled by 2 councillors

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I discussed processes for making payments of CIL monies over 2 charities for the refurbishment of 2 village buildings. The Clerk confirmed that KPC have been involved in the process of the refurbishment and the Village Hall Committee has regularly updated Council at their meetings. KPC have been paying in increments as funds are requested. It is recommended that the Council continues to proceed cautiously when making grant payments to the Charities, and only makes these payments when funds are required to pay contractors.

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 on a standard local council package. The policy was in date at time of audit, with an expiry date of 31 May 2024. Asset cover in the policy is as follows:

Property Insured	Declared Value	Sum Insured
Buildings	£616,229	£739,474
Contents	£27,500	£33,000
Other Property Insured away from the Premises		
Street Furniture	£60,000	£72,000
Gates and Fences	£30,000	£36,000
Playground Equipment	£124,957	£149,948
CCTV Equipment	Not Insured	£0
War Memorials	£40,000	£48,000
Ground Surfaces	£10,910	£13,092
Mowers and Machinery	£5,000	£6,000
Sports Equipment	£15,000	£18,000

Money cover is set at £250K. The insurer should be contacted and consideration given to increasing cover in this area, as a result of the Council's increased cash holdings.

The Council risk assessment was considered at the Council meeting in April 2023 – minute 71d). I have reviewed the risk assessment, this appears sufficient for this Council and there is evidence of update in year. The Council should consider adding cyber risks to the risk assessment, as this is no longer covered by most insurers. County associations provide training to assist councils in this area.

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All computer data is Office 365 based and held in the Cloud, which ensures computer information is properly backed up. Scribe accounting data is managed by the supplier and backed up to Scribe servers.

D - The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Interim Audit

I was able to confirm that the process for setting the budget and precept for 24-25 has been completed. The Finance Committee made recommendations after the October meeting. The budget and precept were approved at the November Full Council meeting.

I confirmed regular budget monitoring reports, as required by financial regulations, are being produced for Council meetings. This is confirmed in minutes. I reviewed the report produced for the November meeting. I am pleased to see that the Council is making good use of budget monitoring reports available in Scribe. I note that the budget is only 15% spent at the end of month 8. This is due to the major projects budgeted for 23-24, but not yet commenced (Neighbourhood Plan / Pavilions).

Final Audit

Reserves at 31 March 2024 were £411,978 (22-23 £362,801).

Earmarked reserves at 31 March 24 were as follows:

Earmarked					
Village Hall Extension		40,000.00	7,347.88		32,652.12
Recreation Ground Pavilion Ref		66,000.00	5,000.00		61,000.00
Recreation Ground Play Equipr					0.00
Great Common Pavilion Rebuilc		150,000.00	745.00		149,255.00
Village Improvement Fund		5,000.00			5,000.00
Environmental Concerns/Equipr		12,000.00			12,000.00
Play Equipment Maintenance		3,000.00			3,000.00
Planning Support Services		39,000.00	10,011.33		28,988.67
Neighbourhood Plan Review		40,000.00			40,000.00
Coronation		4,712.67	4,812.67	100.00	0.00
Village Hall Roof Replacement		65,000.00			65,000.00
Total Earmarked	0.00	424,712.67	27,916.88	100.00	396,895.79

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These are recorded in the Scribe system. There is evidence of review and movement in year – largest reserves are CIL monies set aside for improvement to community buildings in the village.

General reserves at year end were £15,082. This represents 19% of precept. This is below the minimum level recommended in the NALC Practitioners' Guide. It is recommended that the Council reviews reserve balances before setting next budget and precept. The general reserve should be increased. This can be achieved by moving monies from earmarked reserves, reducing expenditure from the budget or increasing precept.

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 one further large CIL receipt in 23-24, £71,988 , received on 20.4.23. I confirmed this to an advice note from the District Council.

This does not yet appear to have been transferred to a CIL or similar earmarked reserve. This should be actioned before year end.

I note that the Council has prepared a CIL report for 22-23, and that this is published on the Council website. This is a requirement of the Community Infrastructure Levy Regulations.

Final Audit

Precept per box 2 to the accounts was £80,000 (22-23 £74,345). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £81,067 (22-23 £206,594). No testing completed at final audit, only income booked to the cashbook since my last audit is bank interest.

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.

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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.

Interim and Final Audits

Staff costs per box 4 to the accounts were £29,598 (22-23 £27,303).

I note that payroll is processed by an external company, Mulberry and Co. I checked the payment to the clerk for August 2023. I was able to agree cashbook figure for net pay, as recorded on Scribe back to the Clerk's payslip. From there I was able to agree gross pay recorded on the payslip back to hourly rate of pay and working hours to an email from the Chairman.

At the final audit I confirmed that box 4 to the accounts only included costs relating to the employment of staff (Salary / payroll tax / pension) 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 £119,139 (22-23 £119,139)

The Clerk confirmed no additions or disposals in year. Additions were confirmed by a review of transactions over £1k in 23-24, no asset additions identified.

I note the asset register is being validated at present as part of a Scribe trial. I will review results as part of my 24-25 audit.

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 month, via the cashbook spreadsheet. I was also able to confirm, by reference to minutes of council meetings, that the bank reconciliation is discussed regularly at Council meetings.

I re-performed the bank reconciliation for October 2023. The reconciliation is reported directly from the Scribe system. I tested the following

- Confirmed balances back to bank statements
- Checked cashbook balances on the reconciliation to the accounting system
- Checked the reconciliation has been reviewed and this evidence properly reviewed by the Chairman.

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The Council now has an investment policy in place - this was approved at the Council meeting in February 2023, and further reviewed at the Finance Committee in October 2023. I note that the Council obtains poor rates of interest on its Nat West accounts:

Account	Balance at 30.10.23	Interest rate payable by bank
Nat West Business	£172K	1.45%
Nat West Current	£183K	0%

Better rates are available in the market place – the Council should ensure its investment policy ensures reasonable rates of interest are obtained, given forthcoming cashflow requirements.

Final Audit

Cash per box 8 to the accounts was £411,978 (22-23 £362,801)

I reperformed the year end bank reconciliation. The Council uses the bank reconciliation report in scribe. The bank reconciliation report has been reviewed by 2 councillors, this is evidenced on the face of the reconciliation and bank statements. Arithmetic has been checked and balances agreed to the accounting system.

The Council operates a strong system of bank reconciliation and I make no recommendation for change.

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.

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 requirements of the Transparency Code 2015 do not apply to this Council, as gross income and expenditure is below £200K. There is an archive of AGAR documentation as required by regulations, and other information such as budget and CIL reports are published.

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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	19 May Full Council
Date Inspection Notice Issued and how published	20 June
Inspection period begins	26 June
Inspection period ends	4 August
Correct length	Yes

All regulatory requirements were met in this regard.

N: Publication requirements 2022-23 AGAR

The complete AGAR and the external audit certificate are published on the accounts page of the Council website. The external audit certificate is dated 19 September. The Council received a qualified audit opinion last year, due to an incorrect box being ticked on the annual governance statement. This is a very minor point, the Council should ensure this is rectified for 23-24. The Conclusion of Audit certificate is also published, dated 19 September, before the statutory deadline of 30 September. The external audit certificate was reported to the September meeting of Council.

The Council met publishing requirements.

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

The Clerk has updated me on the position of the following charities:

- The Kirdford Village Hall – Charity 305388 – the Charity has three named trustees on the Charity Commission Register
- Kirdford Recreation Ground – Charity 305387 – KPC named as sole trustee on the Charity Commission Register. The Clerk has checked trust documents in this area, and the Council concludes that the Charity Commission register is incorrect. The Recreation Committee Chair has been having great difficulty accessing the Charity Commission website to correct the register.

The Council therefore asserts that the PC is not sole trustee for either charity.

I note that both Charities have a poor record of keeping up to date with Charity Commission financial reporting requirements. It is recommended that meeting legal reporting requirements should be a condition of any grants made by KPC. This includes the need for an independent examination for any financial year where income or expenditure exceeds £25K.

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

Appendix A – Recommendations

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
The Council should consider adding cyber risks to the risk assessment, as this is no longer covered by most insurers.	County associations provide training to assist councils in this area.	
Money cover is set at £250K.	The insurer should be contacted and consideration given to increasing cover in this area, as a result of the Council's increased cash holdings.	
We discussed upcoming expenditure on the Pavilions.	Whilst I can see no issue with reclaiming VAT on the cost of these buildings, as no material income is likely to be generated, it may be sensible to contact a VAT expert before projects commence. I recommend the Parkinson Partnership.	
23-24 CIL receipt	This does not yet appear to have been transferred to a CIL or similar earmarked reserve. This should be actioned before year end.	
I note that the Council obtains poor rates of interest on its Nat West accounts:	Better rates are available in the market place – the Council should ensure its investment policy ensures reasonable rates of interest are obtained, given forthcoming cashflow requirements.	
The Clerk has identified an issue in this area – the Council appears to be listed	I have recommended that the Council contacts the County Association to seek guidance on this matter.	Now reviewed, the Council asserts that the PC is not sole Trustee for either charity.

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April Skies

Accounting

<p>as sole trustee on two charities:</p>		
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- The Kirdford Village Hall – Charity 305388
- Kirdford Recreation Ground – Charity 305387

The Council was not aware of this until recently.

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Points Forward – Action Plan - Final Audit

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General reserves at year end were £15,082. This represents 19% of precept. This is below the minimum level recommended in the NALC Practitioners' Guide.	It is recommended that the Council reviews reserve balances before setting next budget and precept. The general reserve should be increased. This can be achieved by moving monies from earmarked reserves, reducing expenditure from the budget or increasing precept.	
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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
0	Trusts	Council not a trustee

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