

Lynne Brooks  
Clerk to Kirdford Parish Council

24 February 2025

Dear Lynne,

**Kirdford Parish Council - Internal Audit 24-25**

**Interim Audit**

Following the virtual interim audit completed on 20 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 24-25 Annual Governance and Accountability Return (AGAR). I covered the following at this visit:

- Review of opening balances and reporting of 23-24 audit opinion
- Follow up previous recommendations
- Testing of expenditure first 10 months of financial year
- Testing of income – first 10 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 overall Council has successfully maintained a satisfactory system of financial control. 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.

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

### **Interim Audit**

The Council has continues to maintain accounting records on to the Scribe accounting system for the 23-24 financial year. 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 23-24. Box 7 in last year's audit accounts was £411,978. This has been agreed to the balance brought forward on the cashbook on Scribe (£411,977.52).

A VAT return was submitted for the period April to December 2024. VAT reclaimed was £6,763, this has been agreed to a schedule of transactions on the Scribe Section 126 VAT report. The refund has been checked into the cashbook dated 10 January 2025.

## **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. I reviewed these regulations, these are published on the website. The revisions to the template published by NALC in 2024 have been included, and the financial regulations are up to date.

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 required on all payment instructions, and payments must be reported to Council.

I carried out a sample test of 6 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 approval noted in minutes of council meeting
- Expenditure appropriate for the Council

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I was pleased to note that payments to the Recreation Ground Committee and Village Hall Committee have been made on receipt of builders invoices. I note from discussion with the Clerk and Cllr Brooks that there is no resolution in Council minutes to make grant payments to the Village Hall Committee for the roof works. It is recommended that this is recorded at the next available meeting retrospectively.

**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 Aviva on a standard local council package, arranged by Clear Councils. The policy was in date at time of audit, with an expiry date of 31 May 2025. Asset cover in the policy is as follows:

**Section 1 - Property Damage**

<b>Property Insured</b>	<b>Declared Value</b>	<b>Sum Insured</b>
Buildings	Not Insured	Not Insured
Contents	£27,500	£33,000
<b>Other Property Insured away from the Premises</b>		
Street Furniture	£60,000	£72,000
Walls, Gates and Fences	£30,000	£36,000
Playground Equipment	£126,206	£151,447
CCTV Equipment	Not Insured	£0
War Memorials	£40,000	£48,000
Ground Surfaces	£11,019	£13,222
Mowers and Machinery	£5,000	£6,000
Sports Equipment	£15,000	£18,000

No buildings are insured, the Village Hall is insured by the Trustees.

Money cover is set at £250K, with fidelity insurance set at £150K. The insurer should be contacted and consideration given to increasing cover in this area, as a result of the Council's current cash holdings ( £280K at end of January).

The Council risk assessment was considered at the Council meeting in April 2024 – minute 73d). 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 25-26 has been completed. A precept of £99K was set, this was approved at the January meeting (minute 232d). The budget and precept were approved at the January Full Council meeting. The Council confirmed that the budget will be reviewed again at the March meeting, and a minute will record any revisions made at this time, in advance of the new financial year.

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 February 25 Council meeting. I note that the budget is only 47% spent at the end of month 10. This is due to the major projects budgeted for 23-24, but not yet commenced ( Neighbourhood Plan / Great Common rebuild ).

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, receipts to date are precept, bank income and VAT refunds

**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 note that payroll is processed by an external company, Mulberry and Co. I checked the payment to the clerk for August 2024. I was able to agree cashbook figure for net pay, as recorded on Scribe back to the Clerk's payslip. Payslip had been authorised for payment by 2 councillors. HMRC payment for August was agreed to payroll reports from Mulberry.

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

Year end test

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**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, and that, by reference to minutes of council meetings, the bank reconciliation is discussed regularly at Council meetings. I re-performed the bank reconciliation for December 2024. 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. The reconciliation should be signed as well as the bank statements, only the statements were signed on the reconciliation tested.

I note that the Council obtains poor rates of interest on its Nat West accounts:

Account	Balance at January 2025	Interest rate payable by bank
Nat West Business	£165K	1.35%

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.

**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 - but council can account on receipts and payment basis as both were below £200K in 23-24

**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 23-24 accounts were set as follows

<b>Inspection - Key date</b>	<b>23-24 Actual</b>
<b>Accounts approved at Full Council</b>	17 June Full Council
<b>Date Inspection Notice Issued and how published</b>	19 June
<b>Inspection period begins</b>	20 June
<b>Inspection period ends</b>	31 July
<b>Correct length</b>	Yes

All regulatory requirements were met in this regard.

## **N: Publication requirements 23-24 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 5 September. The Council received a clear audit opinion last year. The Conclusion of Audit certificate is also published, dated 11 September, before the statutory deadline of 30 September. The external audit certificate was reported to the October meeting of Council (minute 4)

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 – KPC not named as trustee on the Charity Commission website
- Kirdford Recreation Ground – Charity 305387 – KPC no longer named as trustee on Charity Commission website

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

I would like to thank you for your assistance with the audit. I my invoice, for your consideration. I will be in touch soon 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

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## 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, with fidelity insurance set at £150K.	The insurer should be contacted and consideration given to increasing cover in this area, as a result of the Council's increased cash holdings.	
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.	
Bank Reconciliation	The reconciliation should be signed as well as the bank statements, only the statements were signed on the reconciliation tested.	
I note from discussion with the Clerk and Cllr Brooks that there is no resolution in Council minutes to make grant payments to the Village Hall Committee for the roof works.	It is recommended that this is recorded at the next available meeting retrospectively.	

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