

Sarah Nash

Witley and Milford Parish Council

11 June 2024

Dear Sarah

Witley and Milford Parish Council

Internal Audit 2023-24- 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 on 24 January, this concentrated on in year financial transactions and governance controls. I visited the Council on 11 June and audited the statement of accounts and balance sheet.

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

Interim Audit

The Council uses the Edge Accounting system to record day-to-day transactions. The system is used monthly to report and record the financial transactions of the Council and a review of the cashbook shows that all data fields are being entered, and clear referencing permits supporting documentation to be located. Key reconciliations are completed monthly. I checked who has access to the finance system, the three members of staff are set up, alongside a guest profile (currently disabled) which was used by a temporary accountant in 22-23. Access to the accounting system is appropriate.

I was able to agree the opening balances in the cashbook back to the audited accounts for 22-23. Box 8 in last year's audited accounts was £284,301. The starting balance report on the Edge Cashbook was £284,301.26. I am satisfied that the opening balance on the accounting system is accurate.

The Council holds the General Power of Competence. This was confirmed at the Full Council meeting in May 23 – minute f23/012.

My predecessor's internal audit report was considered at the Full Council meeting in May 23 - minute F/23.1.2

The Council's most recent VAT return was completed for the period October to December 2023. VAT reclaimed has been agreed to a schedule of transactions on the VAT report, produced by the accounting system. This was submitted to HMRC on 9 January 2024. The claim has been refunded by HMRC, I have checked it into the bank account, received on 17 January. I am satisfied that the Council is up to date with VAT.

Final Audit

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

- Annual Return – Edge year-end report
- Balance sheet

All comparatives reported in the financial statements have been agreed back to the audited 22-23 accounts, as published on the Council website. There was a £1 rounding error on the AGAR – this was reported to the Clerk for correction.

I confirmed that the VAT return for period November 23 to March 24 has been completed and submitted to HMRC. This was submitted on 4 April 24, checked to date stamp from the Edge system , payment was received into the PC bank account at in April 24.

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My interim report was considered at the F&GP meeting in February 2024 - Council meeting (minute F23/092). Minutes show proper consideration of all recommendations raised.

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 were last reviewed as follows

- Standing Orders - Full Council 18/05/23 minute F23/024
- Financial Regulations - Full Council 29/06/23 minute F23/046

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 makes payments to suppliers as follows. Invoices are received from suppliers and are sent to the Council Office / email addresses. The Clerk checks goods or services have been received. Invoices are then logged in the accounting system and a payment list is produced. Payments are set up in the Unity Bank Account by the clerk. All invoices are scanned, these are emailed to councillors who are bank signatories, requesting that payments are authorised at bank - 2 councillors log in to unity and authorise the payment. Email confirming approval by councillors is filed. Every month all payments made in previous periods are reported to a Council meeting.

I selected a sample of transactions from the paid expenditure report for the first 9 months of 23-24. I was able to test the following for each transaction:

- Payments could be agreed to invoices
- VAT correctly accounted for
- Checked to bank for proper authorisation – payment set up by clerk and authorised by 2 councillors
- Checked emails from councillors confirming payment has been approved
- Payment appropriate for this council

I identified no errors or omissions in this testing.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £ 176,025, down from £227,401 in 22-23.

I tested 3 further payments from the Q4 cashbook, and checked the following:

- Cashbook entry agreed to invoice

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- Expenditure appropriate for the Council
- VAT correct
- Payment approved by Council, evidenced by councillor signature on payment listing – one payment tested
- Payment approved by 2 councillors – one payment tested, check to unity bank log

The Clerk confirmed that the Council has reviewed the financial regulations based on the new template issued by NALC. This work was completed at the June F&GP Committee prior to Full Council approval.

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, arranged by Gallaghers, on a standard local council package. The policy was in date at time of audit, with an start date of 8 October 2023, valid until the policy is cancelled. 7 buildings are insured, the main asset being the Burton Pavilion, insured at a value of £1.122million. A summary of assets insured is set out below

Item description	Excess	Amount Insured
Total Buildings	£250	£1,656,756
Gates and fences	£250	£1,278
Fixed outside equipment	£250	£793
Street furniture	£250	£40,634
War memorials	£250	£74,062
Playground equipment	£250	£282,978
Sports surfaces	£250	£17,095
Other surfaces	£250	£38,521
Rent receivable	£250	£0

The Council risk register is scheduled to be considered at the F&GP meeting in February 2023. I will therefore review this at my year end audit. I remind the Council that this review should also be minuted at a meeting of Full Council before year end to avoid external audit comment.

The Clerk confirmed that computer data is backed up by the Council's IT support company, and that this is checked and tested periodically to confirm it is working properly. Edge store accounting data at their servers.

I discussed the area of cyber risk with the Clerk. It is recommended that the Council completes a cyber risk assessment, and that a decision on cyber insurance is considered as part of this process.

Final Audit

The Council risk register was considered at the F&GP meeting in February 2024 and the Full council meeting on 29 February (minute F23/160). I have reviewed the risk management strategy, and it appears appropriate for the Council.

The Clerk has undertaken cyber risk training since my last audit. Cyber risks will be assessed as part of the - insurance and risk assessment process in 24-25.

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 process for setting the budget and precept for 24-25 is complete. The precept was approved at the Full Council meeting on 30 November 2023 (minute 23/126) a precept of £264,149 was approved. The budget was also approved at this meeting. For clarity, I suggest that in future years, the budget approved by the Council should be recorded as an appendix to minutes.

The Council receives budget v actual reports at each Full Council meeting. I confirmed that this occurred at the November Council meeting - minute F23/126. I reviewed the budget position at 31.12.23, as reported on the Edge accounting system. At this point, around 20% of the budget remained to be spent, and the budget appeared to be on track.

I will review reserves at my year end audit.

Final Audit

Reserves at 31 March 2024 were £291,121 (22-23 £292,875).

The Clerk has provided evidence that the Council has recently reviewed reserve balances. This review was carried out at the March 24 meeting, and a number of reserve transfers were approved. The Council has a number of earmarked reserves, amounting to £122K. £25K is held in CIL reserves. The Council has a large number of earmarked reserves. There is scope to consolidate these reserves, to ease accounting and tidy financial reporting.

General reserves at year end were £168K. This represents 68% of precept, which is at the upper mid-point of recommended levels set out in the NALC Practitioners' Guide, not unreasonable for a Council of this size. There is a potential Council tax bill of £19K which the Council is disputing with WBC, which would need to be funded from the general reserve, should this bill become payable

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

Interim Audit

I selected a sample of transactions from the received income report produced by the accounting system for the period 1 April to 31 December 23. I was able to agree cashbook entry back to supporting documentation such as:

- Cemetery invoice, checked back to approved fees and charges
- Remittance advice notes from Waverley
- Interest credit on deposit account

Final Audit

Precept per box 2 to the accounts was £244,966 (22-23 £231,471). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £41,466 (22-23 £56,319). 2 further items tested

- Vat agreed to bank and to vat return
- Bank interest agreed to bank statement

F - Petty cash payments were properly supported by receipts; all petty cash expenditure was approved and VAT appropriately accounted for.

Interim Audit

Satisfactory. My testing confirmed that the Council does not use petty cash – the account has been closed in 23-24 and is showing as nil on the bank reconciliation.

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 £112,161 (22-23 £95,889).

Payroll is processed by JML accounting. The Clerk sends a monthly spreadsheet summarising any changes to JML each month. JML then produce the payroll summary and payslips for the Council, these are returned in good time for payroll date. All payments to staff / HMRC /Pensions are set up by the Clerk and authorised at bank alongside supplier payments.

I tested 2 officers gross salary for August 23. I agreed payment from cashbook to the monthly payroll summary report from JML. I then agreed pay to payslip. Gross pay was recalculated and agreed back to contract for the 2 officers concerned.

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At the year end audit I confirmed that box 4 only records payments relating to the employment of staff – salaries / payroll taxes and pension contributions.

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

Final Audit

Fixed Assets per box 9 to the accounts were £1,147,546 (22-23 £1,142,073)

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 Clerk provided details of changes to the asset register in 23-24.

I checked the high value expenditure report produced by Edge, and no fixed asset additions appear to have been missed.

I have 2 recommendations for improvement:

- The Council should adopt a fixed asset accounting policy. This should include a deminimis value for items to be included in the asset register, and define how to account for items such as improvements to existing assets
- The Council should transfer the asset register on to Edge from the excel spreadsheet currently used.

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 it is reviewed by a councillor every 2 months. Bank reconciliations are reported to F&GP Committee meetings.

I reperformed the bank reconciliation for December 2023 I was able to:

- Check arithmetic
- Agree balances to Edge accounting system and to bank statements
- Confirm that the bank reconciliation has been signed as reviewed by the Chair of F&GP, evidenced on the reconciliation and bank statements.

I have a minor observation: There are 2 bank accounts operating out of a single account on the Edge accounting system It would be less complicated if either

- The smaller of the 2 accounts at Lloyds could be closed: or
- The 2 accounts are separated on the Edge system

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The Council should consider updating the investment policy. Interest rates available in the marketplace vary greatly, and the Council should review where it holds cash reserves at least annually to ensure that rates of return are optimised.

Final Audit

Cash per box 8 to the accounts was £286,182 (22-23 £284,301)

I reperformed the year end bank reconciliation. I was able to agree EDGE cashbook to year end bank statements, there were no reconciling items. The year end bank reconciliation had been signed off by a councillor at the time of my audit,

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.

The accounts have been prepared on the income and expenditure basis, this is correct for a council with turnover over £200K. A box 7-8 reconciliation and variance analysis has been prepared for external audit, clear explanations have been set out for year on year variances.

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

As a larger Council, with income / expenditure in excess of £200K, Witley is required to follow the 2015 Transparency Code. Whilst I was able to confirm that data required by the Code could be located at various pages on the Council website, there is scope to improve the way this information is presented. I recommend that the Council reviews the “transparency and openness” page on the website, and considers following the model at Windlesham Parish Council. [Transparency Information - Windlesham Parish Council \(windleshampc.gov.uk\)](http://www.windleshampc.gov.uk/transparency)

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	14 June Full Council
Inspection period begins	5 June
Inspection period ends	14 July
Correct length	Yes

All regulatory requirements were met in this regard.

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N: Publication requirements 22-23 AGAR

The Audit Certificate, Statement of Accounts and Annual Governance Statement have been published on the Council website. The external audit certificate was clear and is dated 18 September. The Conclusion of Audit certificate is also published, dated 18 September, before the statutory deadline of 30 September. The audit certificate was reported to Full Council in September - minute F23/082

The Council has met publishing requirements.

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

The Council is not a charity trustee. This has been confirmed by the Clerk.

would like to thank you for your assistance with the audit. I attach the internal audit report from the AGAR and my invoice, for your consideration. In the meantime, do not hesitate to contact me if you have any questions at all. I look forward to working with you in 24-25.

Yours sincerely



Mike Platten CPFA

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Appendix A – Recommendations

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
I discussed the area of cyber risk with the Clerk	It is recommended that the Council completes a cyber risk assessment, and that a decision on cyber insurance is considered as part of this process.	Clerk has been on training, this will be picked up at 24-25 risk assessment
Annual budget approval	For clarity, I suggest that in future years, the budget approved by the Council should be recorded as an appendix to minutes.	For 25-6 budget
There are 2 bank accounts operating out of a single account on the Edge accounting system	It would be less complicated if either <ul style="list-style-type: none"> - The smaller of the 2 accounts at Lloyds could be closed: or - The 2 accounts are separated on the Edge system 	Now separated on Edge
The Council should consider updating the investment policy.	Interest rates available in the marketplace vary greatly, and the Council should review where it holds cash reserves at least annually to ensure that rates of return are optimised	Investments have been reviewed since my last audit, and the Council has identified new investment accounts
Transparency Code Data	I recommend that the Council reviews the “transparency and openness” page on the website, and considers following the model at Windlesham Parish Council.	Changes made to website

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Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
The Council should adopt a fixed asset accounting policy.	This should include a deminimis value for items to be included in the asset register, and define how to account for items such as improvements to existing assets	
Fixed asset register	The Council should transfer the asset register on to Edge from the excel spreadsheet currently used.	

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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	Review completed in 22-23
O	Trust Funds	No trusts at this council

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