

Tina Miles  
Wouldham Parish Council

17 June 2024

Dear Tina

**Wouldham 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 on 17 January, this concentrated on in year financial transactions and governance controls. The final audit was carried out on 17 June and concentrated on the statement of accounts and balance sheet.

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### **A: Books of Account Interim Audit**

The Council accounts uses an excel spreadsheet to account for income and expenditure. Given the turnover of the Council, and the amount of work necessary to produce budget monitoring reports, VAT returns and the annual financial statements, in my opinion the Council cannot continue to produce accounting information using excel. I note that the Council has approved the purchase of the Scribe accounting package for 24-25. This should be implemented, with a start date of 1 April 2024. This should enable the Council to improve accounting processes, necessary because:

- The Council has received grant funding of £123K in 23-24 and accounting is more complex as a result of this;
- Payments from external bodies will require increased use of restricted and earmarked reserves, which are more complex to account for;
- The Council has income in excess of £200k in 23-24. This may result in the Council being required to produce accounts on the accruals basis in future years;
- Excel spreadsheets are prone to error and lack the in-built controls against fraud and error that are part of an accounting system.

I was able to locate supporting documentation from records recorded on the excel spreadsheet, and all key reconciliations were up to date. I tested opening balances on the excel spreadsheet, this was £90,907, this agrees to box 7 on the AGAR for 22-23.

I confirmed that the Council's VAT returns are up to date, with VAT claimed for the period 1 April 23 to 31 December 2024. This was submitted to HMRC on 4 January 2024. I continue to raise recommendations in this area:

- VAT is not entered into the cashbook on an ongoing basis, with VAT prepared from invoices. The cashbook should be updated with VAT as payments are made to suppliers. I cannot readily check that VAT on the VAT return is complete, as there is no record of VAT on the cashbook
- The introduction of an accounting system would save significant time in preparing VAT claims and reduce the risk of items being left out of the VAT claim.

The Council reviewed my previous final audit report at the June meeting of Full Council.

### **Final Audit**

The accounting statements have been agreed back to year end reports produced from the accounting system. This was a complex and time consuming process, due to the number of transactions recorded on the Council's accounts spreadsheet. I am very pleased to note that the Council is now using the Scribe accounting system – this must be fully utilised and all financial reporting extracted from Scribe.

All comparatives reported in the financial statements have been agreed back to the audited 22-23 accounts, as published on the Council website.

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I confirmed that the VAT return for period January to March 24 has been completed and submitted to HMRC. This has a submitted date stamp of 16 April. VAT of £1460 was reclaimed. VAT reclaimed has been agreed to a schedule of transactions on the extracted from the Excel workbook

My interim report was considered at the February Council meeting ( minute 8.3 )

## **B. Financial Regulations & Payments**

### **Interim Audit**

Financial Regulations were last reviewed by the Council at the Full Council meeting in January 2024 (minute 7.2). Standing Orders and the Code of Conduct are due to be reviewed in March 2024. 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 follows the following procedure when paying suppliers. Invoices are sent to the Parish Clerk who checks the invoice against orders and ensure payment is properly due. A payment list is then prepared for the councillor finance team. Invoices are checked by the finance team, these councillors sign off invoices as ready for payment on the payment listing. The Clerk then sets up and authorises payments from the Council's bank account. This process appears consistent with the Council's financial regulations, and separation of duties is provided by the requirement for councillor review of all payments.

I selected a sample of transactions from the cashbook, the value of these transactions was £95K . For all transactions tested, I sought to confirm the following

- Invoice in place
- Payment included in payment listing signed off by finance team councillors
- Transaction correctly entered into cashbook
- Resolution of council recorded in minutes to incur expenditure.

I identified the following omissions. These should be rectified as set out below before the end of the financial year:

<b>Payee</b>	<b>£</b>	<b>Matter arising</b>	<b>Action Required</b>
Compaid	29,500	<ul style="list-style-type: none"><li>- Paid on basis of SLA – no invoice from supplier</li><li>- Value of payment to be made to supplier not set out in minutes</li></ul>	<ul style="list-style-type: none"><li>- Obtain invoice from supplier</li><li>- Record in next meeting resolution to pay amount to Compaid</li></ul>
Aldermore	£4,512	<ul style="list-style-type: none"><li>- No VAT invoice on file</li><li>- Payment not included in signed payment list</li></ul>	<ul style="list-style-type: none"><li>- Obtain invoice from supplier</li><li>- Add payment to next payment list for signature</li></ul>

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I discussed the Council's powers to incur expenditure on the minibus service with the Clerk. It is recommended that this matter is taken up with KALC in order to obtain clear guidance on powers of the Council to spend on service provision of this type.

### **Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £ 126,306, up from £30,382 in 22-23 .

I followed up the above transactions tested at my interim audit:

- Compaid payment agreed to payment list signed by councillor.
- Aldermore payment agreed to invoice and to payment list signed by councillors

I checked 3 further payments for the final quarter of the financial year. I was able to agree these items from cashbook to invoice to signed payment listing.

## **C. Risk Management & Insurance**

### **Interim Audit**

The Council undertakes a full risk assessment annually. I have confirmed with the Clerk that the risk assessment was approved at the January 2024 meeting of the Full Council. The review is recorded in minute 13.3 of this meeting.

I have confirmed that the Council has a valid insurance certificate, with an expiry date of 8 September 2024, insurance is held with Zurich Municipal . The Council reviews its insurance requirements as part of the renewal process. I building is insured, the Village Hall, with an insurance value of £315K. Other assets insured are:

Item Description	Sum Insured	Excess
Play Equipment as per Register	£89,768.67	£250
Sports Equipment as per Register	£22,811.79	£250
Street Furniture as per Register	£83,193.50	£250
Fences and Gates as per Register	£39,407.03	£250
General Contents (Clerks Residence)	£3,355.59	£250
Steel Sheds ME1 & Defib	£5,332.67	£250
Lifebuoy & Box x 2	£733.25	£100

Money cover is currently set at £250K. This is sufficient, given bank balances at this council.

The Council's computer data is backed up to one drive cloud storage , back up is also saved weekly to a memory box held at the Clerk's home

## **D. Budget, Precept & Reserves**

### **Interim Audit**

I confirmed that the 24-25 budget and precept has been set, this was resolved at the January 2024 meeting of Full Council. This was approved at Full Council on 9 January:

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**VOTE TO APPROVE PRECEPT:** Proposed by Cllr Yard Second by Cllr Britchfield that this year's Band D precept will be **decreased** by 10.05%.  
**All agree.**

Total Gross Expenditure	£124,466.60
Minus payments expected	£4,575.00
Minus receipts from reserves/funding	£50,005.90
<b>Total precept requirement</b>	<b><u>£69,885.70</u></b>

Budget monitoring reports are sent to the Finance Team as required, and to Full Council every 4 months.

I review reserves at my final audit. However, I note that the Council has set up earmarked reserves as part of the 24-25 budget monitoring process. I confirmed that reserves have been set up for unspent section 106 monies paid by TMBC. The Clerk should ensure that :

- Reports on reserve balances should be issued to Council as part of budget monitoring at least quarterly
- Reserve accounts should be loaded on to the Scribe system from 1.4.24. This will enable the Council to demonstrate expenditure has been incurred in line with the terms of the payment from TMBC

### **Final Audit**

Reserves at 31 March 2024 were £209,451 (22-23 £90,907).

General reserves at year end were £31,873. This represents 46% of precept, which is at the mid-point of recommended levels set out in the NALC Practitioners' Guide. Earmarked reserves of £18K are set aside to fund future projects.

The budget and precept for 24-25 were reviewed and approved at the Full Council meeting on 30 January 2024 ( minutes 23.10) A precept of £84,695 was set. The budget was calculated using the precept calculator tool on the accounting system. I confirmed the 24-25 budget is loaded into the accounting system, ready for budget monitoring in the new financial year.

### **E. Income**

#### **Interim and Final Audits**

Precept per box 2 to the accounts was £71,829 (22-23 £71,972). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £203,833 (22-23 £9,490). I reviewed a small sample of income credits from the second half of the financial year. For transactions selected I was able to agree income back to invoice, and from there to fees and charges for cemeteries.

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I tested three receipts from TMBC, as follows:

S106 – Education - £15,000  
S106 – Youth worker - £58,203  
S106 – Education - £50,000  
Total - £123,203

The cashbook entries have been agreed to bank. The Council has not received remittance advice notes from TMBC. I have asked the Clerk to obtain documentation from the Borough Council so I can confirm these remittances are correct.

### **F. Petty cash**

The Council does not use petty cash.

### **G. Payroll**

#### **Interim and Final Audits**

Staff costs per box 4 to the accounts were £20,364 ( 22-23 £18,995).

Payroll is processed by an external agency, Thomson Elphick . I carried out testing of payments made to staff in August 2023. Payment is included in the payment authorisation slip signed off by councillors. I agreed cashbook payments back to payroll summary information produced by the payroll agency. I tested for the Clerk that

- Net pay per cashbook agreed back to payslips
- Rate of pay per payroll was recalculated and agreed to rates of pay approved by Council ( annual pay award letters and contracts)
- Basic pay per payroll could be reconciled back to appropriate NJC pay grade

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.

### **H. Assets and investments**

#### **Final Audit**

Fixed Assets per box 9 to the accounts were £165,165 ( 22-23 £159,142)

The figure in the accounts has been checked 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 £10.5K – new runway added at cost – added at cost
- Disposals - £4.6K old aerial runway

My review of the asset register identified an arithmetic error. Fixed assets in box 10 should be £166,815, not £165,164 . The Clerk should amend the AGAR before approval.

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### **I. Bank reconciliations**

#### **Interim Audit**

I re-performed the December 2023 bank reconciliation. I recreated the cashbook balance at end of December by reference to transactions posted to the cashbook. Cashbook balances were then checked to bank reconciliation and to the bank statement. Whilst I am satisfied that the bank reconciliation is materially correct, I have 2 matters to raise

- There is a £42.28 reconciling item on the bank reconciliation. This related to a pension payment, but this should be analysed and the cashbook amended
- There is no evidence that the bank reconciliation is subject to regular review by a councillor. This is a requirement of Financial Regulations

2.2. On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chair [or a cheque signatory] shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council [Finance Committee].

The Council should set up a system of bank reconciliation review as set out in Financial Regulations.

#### **Final Audit**

Cash per box 8 to the accounts was £209,451 (22-23 £90,907)

The Council now has 2 bank accounts, a Nat West current account and a Unity deposit account.

I re-performed the year end bank reconciliation. For both 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. The bank reconciliation was reviewed by a councillor at the April meeting, this has been evidenced on the face of the reconciliation and bank statements.

Loans per box 10 were £5,182 – I have agreed this to year end statements available on the Debt Management Office website.

### **J. Year-end accounts**

Satisfactory – Accounts have been produced on a receipts and payments basis, this is appropriate as income and expenditure has passed the £200k threshold for the first time in 23-24. Should this happened for 2 more years, then the Council will need to move to accruals accounting

**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 requirement**

The Council has an up to date website, and the 22-23 AGAR and external audit certificate can easily be located on the website. There is an archive of AGAR documents, 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**  
**Interim Audit**

Inspection periods for 22-23 were set as follows

<b>Inspection - Key date</b>	<b>22-23 Actual</b>
Accounts approved at Full Council	6 June
Announcement date	11 June
Inspection period begins	12 June
Inspection period ends	21 July
Correct length	Yes

The Council has provided evidence that it met this control objective.

**N: Publication requirements 22-23 AGAR**

**Interim Audit**

I confirmed that the Council has correctly loaded the audited accounts, annual governance statement and audit certificate for 22-23 on to the Council website. The conclusion of audit certificate has been correctly published, with a date of 26 September, after the date of the external audit certificate (7 September) and in advance of the 30 September deadline. The Council received clear audit certificate from the external auditors, bar an “other matters” point regarding a correction made to the accounts. The audit certificate was reported to the October Full Council meeting ( minute 7.3)

**O. Trusteeship**

**Interim Audit**

The Council has confirmed it currently has no trustee responsibilities at present.

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# April Skies

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Accounting

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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. 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

**Points Forward – Action Plan - Interim Audit**

Matter Arising	Recommendation	Council Response
Given the size of the Council, and the amount of work necessary to produce budget monitoring reports, VAT returns and the annual financial statements, <b>I strongly recommend that the Council purchases an accounting system and uses this to record financial records from 1<sup>st</sup> April 2024.</b>	The Council should implement Scribe, now this has been approved by Full Council	<b>Actioned</b>
Testing of expenditure	Council to action recommendations set out in section B of this report	<b>Followed up at year end</b>
VAT is not entered into the cashbook on an ongoing basis, with VAT prepared from invoices.	The cashbook should be updated with VAT as payments are made to suppliers. I cannot readily check that VAT on the VAT return is complete, as there is no record of VAT on the cashbook	<b>Council moved to Scribe for 23-24</b>
I discussed the Council's powers to incur expenditure on the minibus service with the Clerk.	It is recommended that this matter is taken up with KALC in order to obtain clear guidance on powers of the Council to spend on service provision of this type.	<b>Clerk supplied confirmation</b>
I confirmed that reserves have been set up for unspent section 106 monies paid by TMBC.	The Clerk should ensure that : <ul style="list-style-type: none"> <li>- Reports on reserve balances should be issued to Council as part of budget monitoring at least quarterly</li> <li>- Reserve accounts should be loaded on to the Scribe</li> </ul>	<b>Scribe accounting now in place</b>

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# April Skies

## Accounting

	system from 1.4.24. This will enable the Council to demonstrate expenditure has been incurred in line with the terms of the payment from TMBC	
Section 106 receipts. The Council has not received remittance advice notes from TMBC.	. I have asked the Clerk to obtain documentation from the Borough Council so I can confirm these remittances are correct.	<b>Not obtained, recommendation re-raised</b>
There is a £42.28 reconciling item on the bank reconciliation.	This related to a pension payment, but this should be analysed and the cashbook amended	<b>Cleared at year end</b>
Bank reconciliations	The Council should set up a system of bank reconciliation review as set out in Financial Regulations.	<b>In place for year end</b>

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## Points Forward – Action Plan - Final Audit

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My review of the asset register identified an arithmetic error. Fixed assets in box 10 should be £166,815, not £165,164 .	The Clerk should amend the AGAR before approval.	

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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	Trusts	No Trusts

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