

Jackie Lines
Mundon Parish Council

4 April 2024

Dear Jackie,

Mundon Parish Council – Internal Audit 23-24

Final Audit Report

The internal audit of Mundon Parish Council 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) 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. 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 14 December, this concentrated on in year financial transactions and governance controls. The final audit was carried out remotely on 4 April and concentrated on the statement of accounts and balance sheet.

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6 Uplands Road. Farnham GU9 8BP

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 checked arithmetic within the cashbook, and confirmed it agreed to reporting in the bank reconciliation and the budget monitoring worksheet. In the course of my testing I confirmed there is a clear audit trail from the accounts to supporting documentation such as invoices. I was able to agree the opening balances in the cashbook back to the published accounts for 2022-23, and rechecked arithmetic within the cashbook. My workings confirmed the bank reconciliation balance at 30 November 2023 has been correctly calculated.

The Council reclaims VAT annually, which is sufficient for this smaller council. The VAT return for the year to 31 August 2022 was submitted to HMRC on 1 September 2023. The refund has been received – cashbook date 7 September.

Final Audit

The accounting statements have been agreed back to year end reports produced from the excel 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 September 22 to 31 August 2023 has been completed and submitted to HMRC. This has a submitted date stamp of 1 September. VAT of £416 was reclaimed. Annual Vat claims are sufficient at a council of this size.

My interim report was considered at the January Council meeting (minute 121-d)

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 are based on NALC templates. These were reviewed at the Council Meeting in March 2023, minutes 135 b and c. 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 Clerk produces a payment listing each month and copies invoices to all councillors for review and authorisation. If all agreed, Clerk prepares online payments for the last working day of the month and dual authorisation is made by Cllr Wylie or Cllr Rowsell. All payments are reported in detail on each agenda and in the minutes.

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I carried out a sample test of non-pay expenditure transactions selected at random from cashbook throughout the financial year. I was able to confirm the following for all transactions:

- Payment agreed to invoice
- Expenditure appropriate for this Council
- Payment reported within minutes of a Council meeting
- VAT accounting correct
- For one transaction I checked bank records and confirmed the payment was set up by the clerk and authorised by one councillor.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £ 4,002, down from £4,290 in 22-23. Given the low volume of transactions, and assurance gained at the interim audit, no further testing was conducted.

I am satisfied that the Council has met the requirements of this control objective.

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 Insurance, arranged by BHIB insurance brokers, on a standard local council package, The policy was in date at time of audit, with an expiry date of May 2024. No buildings are insured. Assets insured are:

Contents	£7,500	£9,000
Other Property Insured away from the Premises		
Street Furniture	£20,000	£24,000
Gates and Fences	£7,500	£9,000
Playground Equipment	£40,000	£48,000
CCTV Equipment	Not Insured	£0
War Memorials	£20,000	£24,000
Ground Surfaces	£3,179	£3,814
Mowers and Machinery	£5,000	£6,000
Sports Equipment	£5,000	£6,000

Money cover is sufficient at £250K. This is comfortably in excess of cash balances held by the Council.

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The Council's risk register is due to be considered at the Full Council meeting in January 2024 - I will review this at my final audit.

The Council has considered my previous internal audit report – Full Council meeting May 23, minute 24b, so has met its obligation to consider the work of audit.

Final Audit

The Council continues to carry out an annual review of the Financial and Management Risk Assessment. This was last reviewed at the Full Council meeting on 16 January 2024, minute 109.

I am satisfied that the Council has met the requirements of this control objective.

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 budget for 24-25 was approved at the Council meeting in November 2023. Final formal approval of budget and precept for 24-25 will be recorded in minutes of the January Full Council meeting.

I confirmed regular budget monitoring reports are being produced for review by Councillors within 5 days of each month end. Councillors receive financial reports following each month end to include, payments, receipts, bank rec and budget to actual. I reviewed the November 2023 month end reports. A review of minutes shows budget monitoring is discussed regularly at Council meetings.

Final Audit

Reserves at 31 March 2024 were £20,659 (22-23 £14,291).

The Council has set aside £18.4k in earmarked reserves, virtually all of this in the “capital reserve”. This leaves only £2.3K in the general reserve. I consider this to be a little low, at only 32% of the precept, and the Council should ensure there are sufficient reserves to cover unexpected costs (eg election / locum clerk requirement at some future date).

The budget and precept for 22-23 were finalised at the Full Council meeting on 16 January 2024 (minute 121b) A precept of £7,500 was set, and the budget as agreed at the November meeting was formally approved.

I am satisfied that the Council met the requirements of this control objective.

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E - Expected income was fully received, based on correct prices, properly

Final Audit

Precept per box 2 to the accounts was £7,000 (22-23 £5,500). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £8,254 (22-23 £1,951). I reviewed a three income credits relating to land sales. I agreed cashbook credit to bank statements and to notification of amount due from solicitor. I note that these capital receipts have been correctly transferred to the capital projects earmarked reserve, capital receipts cannot be used to cover revenue costs.

I am satisfied that the requirements of this control objective have been met.

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 tested the August 2023 payment to the Clerk, and was able to agree the cashbook entry to payslip. From there I was able to confirm gross pay hourly pay to a pay award letter signed by the Chairman on 1 December 2022, as a contract addendum. Hours claimed for the month were agreed to timesheet signed off by a councillor.

Final Audits

Staff costs per box 4 to the accounts were £4,884 (22-23 £4,441).

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.

I am satisfied that the requirements of this control objective have been met.

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

Final Audit

Fixed Assets per box 9 to the accounts were £11,076 (22-23 £10,962)

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. The land sales were part of an asset shown on the asset register at a proxy value of £1, so the sale has no impact on the asset register.

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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, 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 reperformed the October 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 excel spreadsheet. I recreated the reconciliation in excel, and confirmed the cashbook balance was correctly calculated. I note that the reconciliation has been reviewed by Councillor Rowsell, and this review is properly evidenced on the reconciliation and the bank statements.

Final Audit

Cash per box 8 to the accounts was £20,659 (22-23 £14,291)

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. I tested arithmetic in the reconciliation and the cashbook by recreating the bank reconciliation. The bank reconciliation was reviewed by a councillor, this has been evidenced on the face of the reconciliation and on the three bank statements.

I am satisfied that this control objective has been met.

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.

The Council declared itself exempt in 22-23 and met the exemption criteria

- Income and expenditure below £25K
- The authority was in existence on 1 April 2018
- No statutory external audit reports

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The Council is also able to declare itself exempt in 2023-24. The draft exemption certificate has been properly completed.

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 exemption certificate can easily be located on the website. The AGAR and supporting documents for the 5 previous financial years are published on the website, 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	16 May Full Council
Date Inspection Notice Issued	2 June
Inspection period begins	5 June
Inspection period ends	14 July
Correct length	Yes – 30 days

The Council met the requirements of this control objective.

N: Publication requirements 22-23 AGAR

The Statement of Accounts, Annual Governance Statement and the exemption certificate are published on the accounts page of the Council website. The approval of the AGAR statements and the certificate of exemption were properly recorded in minutes of the meeting of Full Council on 17 May 2022.

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

Satisfactory –The Council has confirmed to me that the Council is not sole trustee of a charity. This has been confirmed by a search of the Charity Commission register of charities. I confirmed correct boxes have been ticked on the accounting statements and the annual governance statement.

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April Skies

Accounting

I would like to thank you for your assistance with the audit. 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, and I look forward to working with you next year.

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 - Final Audit

Matter Arising	Recommendation	Council Response
The Council has set aside £18.4k in earmarked reserves, virtually all of this in the “capital reserve”. This leaves only £2.3K in the general reserve.	I consider this to be a little low, at only 32% of the precept, and the Council should ensure there are sufficient reserves to cover unexpected costs (eg election).	

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
O	Trust Funds	No trusts at this council

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