

Lynne Brooks  
Clerk to Kirdford Parish Council

6 December 2023

Dear Lynne,

**Kirdford Parish Council - Internal Audit 23-24**

**Interim Audit**

Following the virtual interim audit completed on 6 December, 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 23-24 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 8 months of financial year
- Testing of income – first 8 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. I have recommendations to raise, these 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 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.

## **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

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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)

**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:

| <b>Property Insured</b>                              | <b>Declared Value</b> | <b>Sum Insured</b> |
|--|-----------------------|--------------------|
| Buildings  | £616,229              | £739,474           |
| Contents   | £27,500               | £33,000            |
| <b>Other Property Insured away from the Premises</b> |                       |                    |
| 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.

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).

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.**

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.

**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.**

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.

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

Final audit test

**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.

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.

**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.**

Final audit test

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**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.

**M - Arrangements for Inspection of Accounts**

Inspection periods for 22-23 accounts were set as follows

| Inspection - Key date                                  | 22-23 Actual        |
|--|---------------------|
| <b>Accounts approved at Full Council</b>               | 19 May Full Council |
| <b>Date Inspection Notice Issued and how published</b> | 20 June             |
| <b>Inspection period begins</b>                        | 26 June             |
| <b>Inspection period ends</b>                          | 4 August            |
| <b>Correct length</b>                                  | 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 identified an issue in this area – the Council appears to be listed as sole trustee on two charities:

- The Kirdford Village Hall – Charity 305388
- Kirdford Recreation Ground – Charity 305387

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# April Skies

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## Accounting

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The Council was not aware of this until recently. I have recommended that the Council contacts the County Association to seek guidance on this matter. The Council needs to establish if:

- It is the sole trustee of the charities; or
- There is an error on the Charity Commission website.

I would like to thank you for your assistance with the audit. I attach my invoice. I will be in touch in February to make plans for the final 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.  | 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.   |                  |

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|  |   |  |
|--|---|--|
| <p>The Clerk has identified an issue in this area – the Council appears to be listed as sole trustee on two charities:</p> <ul style="list-style-type: none"><li>- The Kirdford Village Hall – Charity 305388</li><li>- Kirdford Recreation Ground – Charity 305387</li></ul> <p>The Council was not aware of this until recently.</p> | <p>I have recommended that the Council contacts the County Association to seek guidance on this matter.</p> |  |
|--|---|--|

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