

Michelle Legg
Clerk to Wheatley Parish Council

17 May 2023

Dear Michelle

Wheatley Parish Council
Internal Audit 2022-23

The internal audit of Wheatley Parish Council for the 2022-23 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 2022-23 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 2022-23. Recommendations are at Appendix A with Appendix B listing tests not completed as they are not relevant to this Council.

The audit was carried out in two stages. The interim audit was carried out remotely on 17 November. This concentrated on in year financial transactions and governance controls. The final audit was carried out in person. This work was carried out on 17 May and concentrated on the statement of accounts and transactions for the final 5 months of the financial year.

I would like to thank you and the team for your assistance with the audit.

 07958 990310

 mike@aprilskies.co.uk

Company Registration Number 14174016
6 Uplands Road. Farnham GU9 8BP

A. Books of Account

Interim Audit

The Council uses the Sage One Business Cloud accounting system. The Sage system is used to report and record the financial transactions of the Council and a review of the cashbook shows that all data fields are being entered. My audit testing showed that supporting documentation could be readily located from transactions recorded on the accounting system, and all key reconciliations were up to date. The Clerk confirmed that access to the accounting system is password controlled, access limited to Clerk / Deputy Clerk and bookkeeper. I will check access control at my final audit in May.

I have not yet concluded testing of the opening balance. I will complete this work when I visit the Council in May.

I confirmed that the Council's VAT returns are up to date, with VAT claimed to the end of October 2022. I checked that figures in the VAT return have been derived directly from the Sage system and confirmed with the Clerk that the return was submitted to HMRC on 9 November 2022.

The final report from the previous internal auditor was discussed at the Full Council meeting in June 2022. No recommendations were raised.

Final Audit

The accounting statements have been agreed back to balance sheet and income and expenditure reports produced from the Sage Accounting system. All comparatives reported in the financial statements have been agreed back to the audited 2021-22 accounts, as published on the Council website. The opening balance per box 1 to the accounts has been agreed to closing balance sheet value on Sage at 31.3.22.

The Council's year end VAT return for the 3 months to April 30th was being prepared at the time of my audit. The VAT return to the end of January 2023 was submitted on time. It is recommended that the Council should contact HMRC and try to bring VAT periods in line with financial year-end in the course of 23-24.

The Council reviewed my interim audit report at the 18 December 2022 meeting of Full Council (minute 161). The recommendations raised were noted and actioned.

I am satisfied the Council is meeting the requirements of this control objective.

B. Financial Regulations & Payments

Interim Audit

I confirmed that the Council has reviewed key governance documents. Financial Regulations were reviewed at the Council meeting on 9.5.22 (minute 13) and Standing Orders at the meeting on 6.6.22 (minute 35)

The Council has a robust process for authorisation of payments to suppliers. The Council approves expenditure via the annual budget process. Invoices are sent to the Office by suppliers, invoices are checked by Office staff for receipt of services goods and accuracy.

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The Clerk then prepares a payment listing, which is sent to authorising councillors, together with all invoices being paid by email. Bank payments are set up by the Clerk or Assistant Clerk on the current account, and these payments are authorised by 2 from the panel of 5 bank signatories. Payment listings are then reported retrospectively to a meeting of the Finance Committee.

I have one recommendation. Financial Regulation 10.1 states

10.1. An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained.

The Council is not complying with this regulation – purchase orders are not raised on a systematic basis. The Council should therefore review either the financial regulations or its ordering processes to ensure it complies with its own rules .

I tested a sample of payments selected at random from the sage cashbook for the first 6 months of 2022-23. For all payments tested I was able to confirm

- Payment per cash book agreed to invoice
- VAT correctly accounted for
- Expenditure appropriate for this council
- Payment approval by 2 councillors recorded on transfer request document
- Payment reported to Finance Committee meeting

I will review authorisations on the bank account when I visit the Council for the final audit.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £84,958, down from £130,211 in 2021-22.

Financial Regulations have been amended following my interim audit recommendation and the requirement to raise purchase orders has been removed.

I tested a further sample of expenditure transactions selected at random from cashbooks for months 8-12 of the financial year. For all transactions sampled, I was able to confirm the following:

- Expenditure per cashbook agrees to VAT invoice from supplier
- Expenditure relevant and appropriate for this Council.
- Payment set up at bank by Clerk or Assistant Clerk and authorised by 2 councillors from the signatory panel.

I confirmed with the Clerk that quotes were sought for fencing work reviewed as part of my testing, in line with the requirement of financial regulations.

The Council has completed a section 137 expenditure review. This shows expenditure under this heading of £2,250 against a permitted limit of £28K.

I am satisfied the Council is meeting the requirements of this control objective.

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C. Risk Management & Insurance **Interim Audit**

The Council undertakes a full risk assessment annually using the LCRS risk management system. There are a number of risk assessments, these were reviewed at the November 2022 meeting of Full Council, this is recorded in minutes (minute 137). I reviewed the risk assessment summary, key risks are covered by this document.

I have confirmed that the Council has a valid insurance certificate, with an expiry date of 31 May 2023, insurance is held with BHIB. The Council reviews its insurance requirements as part of the renewal process. Fidelity cover is currently set at £250K, this is sufficient, given cash holdings at the Council, and the fact that the Council is holding some of its cash in difficult to access accounts (CCLA). I confirmed that asset cover is consistent with the Council's asset register. This was reviewed as part of the move to the new insurer.

The Insurers require valuations of assets insured every three years:

- a) the Insured provides at their own expense and at intervals of not more than 3 years, valuations of all Buildings and Contents compiled by professionally qualified members of the Royal Institute of Chartered Surveyors or some other suitable valuer the Insurer agrees to and

The Council should make sure that revaluations of key assets are completed in line with this requirement.

Accounting data is backed up to the cloud by Sage , part of the contract for the accounting system. All other computer data is backed up by the IT contractors, Cloudy IT. It is recommended that confirmation of a successful back up test is obtained annually from the IT contractor.

I am satisfied the Council is meeting the requirements of this control objective.

D. Budget, Precept & Reserves **Interim Audit**

I confirmed that the 2023-24 budget and precept setting process was underway at the time of the interim audit. The Finance Committee reviewed an initial draft budget, including inflation assumptions at the meeting in October. A first draft budget was considered at the Full Council meeting in November, with the final budget and precept due to be approved in December. I am satisfied that arrangements are in place to ensure budget and precept are finalised before precepting authority deadlines.

The Clerk produces a detailed financial report for review at Council. Minutes for the October 22 meeting confirmed the following reports were produced:

- Bank reconciliations – all accounts
- Budget monitoring report
- Reserve balances
- Review of outstanding debtors.

I reviewed the month 6 budget monitoring report produced for this meeting . It is comprehensive, up to date and there was no evidence of significant overspends.

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Final Audit

Reserves at 31 March 2022 were £199,857 (2021-22 £178,544).

Earmarked reserves were £124K, of this £60K was in the new pavilion reserve, £40K in the play equipment reserve. This leaves a general reserve of £ 75K. This is 54% of precept, in line with levels recommend in the JPAG Practitioners' Guide.

The budget and precept for 23-24 were approved at the Full Council meeting in December 2022. The precept was set at £149,733 (minute 158). The budget was approved in minute 157. A balanced budget was approved . Details are set out below:

Budgeted expenditure £215,948

Funded by:

Precept £149,733

Pavilion Grants £50,000

Newsletter £13,600

Other £2,700

I understand that the pavilion project is at feasibility stage, the Council is assessing building and funding options.

I am satisfied the Council is meeting the requirements of this control objective.

E. Income

Interim Audit

The Council has limited non precept income. I selected a small sample of income transactions from the cashbook for the first 6 months of the financial year. For transactions sampled I was able to agree credit per cashbook back to invoice issued by the Council. I also confirmed that the correct fees were invoiced (adverts in newsletter)

The Council has no issues with debts - the sales ledger showed debts outstanding as £60 at the time of my audit.

Final Audit

Precept £138,954 (21-22 £138,954) This has been agreed to third party documentation supplied by external audit.

Income per box 3 was £21,356 (£19,203 in 21-22.)

I tested 3 items from the cashbook – all were agreed to invoice, and calculation of invoice was agreed to fees for advertising in the Wheatley news. All receipts were checked into bank. I reviewed the sales ledger at 31.3.23. Balance outstanding was £863, only one transaction was more than 30 days old. This is being followed up by Council staff.

I am satisfied the Council is meeting the requirements of this control objective.

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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 £54,039 (21-22 £51,242).

The Clerk confirmed that all staff have contracts of employment. Payroll is processed in house by the Clerk, using the HMRC Basics package. All monthly changes to the payroll are input by the Clerk, once timesheets have been received and signed off. A company and individual payslip is produced using the payroll system. Payments are then set up at bank, and payments are authorised by councillors as part of the standard payment system. The payroll journal is loaded on to Sage by the bookkeeper.

I carried out testing of payments made to staff in August 22. I agreed ledger payments back to payroll information produced by the payroll system . I tested that:

- Gross pay per cashbook agreed back to payslips
- Pay agreed back to pay award letter

A pay award letter was issued to the Clerk, but this does not state the annual salary to be paid. This makes verification of approved rates of pay difficult. I therefore recommend that the annual pay award letter sets out the salary to be paid.

I confirmed that costs relating to the employment of staff only have been included in box 4 to the accounts. I noted that there was an overdue payment of £521 on the Council's PAYE account with HMRC at my interim audit. This was checked at my final audit and the account is now clear.

I am satisfied the Council is meeting the requirements of this control objective.

H. Assets and investments

Final Audit

Fixed assets per box 9 to the accounts were £172,203 (21-22 £169,537).

Fixed asset balance in the accounts has been agreed to the asset register. Additions of £2,666 have been agreed to a schedule of assets purchased in 22-23. No disposals in 22-23 have been recorded on the asset register, this has been confirmed with the Clerk. I note that the new fences purchased by the Council have not been added to the asset register – this is an omission and should be corrected. This will increase the value of the asset register and the balance in box 9 of the accounts.

The Council should draw up a fixed asset accounting policy, for approval by Council. This should establish a cost threshold at which assets should be added to the asset register, and refer back to guidance on asset accounting in the JPAG Practitioners' Guide.

I am satisfied the Council is meeting the requirements of this control objective.

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I. Bank reconciliations

Interim Audit

The Council has 4 bank accounts. 2 held with Barclays Bank, 2 with Unity Bank. A short term investment is held with CCLA.

I re-performed the September 2022 bank reconciliation. I found no error in the reconciliation and confirmed that the reconciliation is subject to appropriate councillor review, evidenced by signature on the face of both the reconciliation and the bank statements. All balances on the reconciliation were agreed back to sage and to bank statements. Arithmetic was checked.

I am satisfied that the Council is meeting this control objective.

Final Audit

Cash per box 8 to the accounts was £196,735 (21-22 £181,003).

I re-performed the year end bank reconciliations for 31 March 2023. I was able to agree all balances in the bank reconciliation to the SAGE cashbook balances and to bank statements. The year-end reconciliation has been signed off by the Clerk and will be signed off by a councillor at the June meeting.

I am satisfied the Council is meeting the requirements of this control objective.

J. Year-end accounts

Satisfactory – Wheatley has elected to produce accounts on an accruals basis, although it is not required to do this as income / expenditure is below £200k. Debtors and creditors have been identified. An explanation of year-on-year variances has also been prepared, this provides explanation of variances as required by external audit. I am satisfied this control objective has been met.

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 an up to date website, and the 21-22 AGAR and external audit certificate can easily be located on the website. Minutes of Council meetings are published on the website and were up to date at the time of my audit. There is an archive of AGAR documentation published on the website, going back to 2016-17.

M: Arrangements for Inspection of Accounts

Inspection periods for 2021-22 were set as follows

Inspection - Key date	2021-22 Actual
Accounts approved at Full Council	6 May Full Council
Announcement	6 June
Inspection period begins	7 June
Inspection period ends	18 July
Correct length	Yes

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I can confirm that regulations were followed in this respect and that the Council can therefore sign off that it has met control objective 4 on the annual governance statement.

N: Publication requirements 21-22 AGAR

Interim Audit

I confirmed that the Council has correctly loaded the audited accounts, annual governance statement and audit certificate for 21-22 on to the Council website. The conclusion of audit certificate has been correctly published, with a date of 29 September, in advance of the 30 September deadline. The Council received a clear audit certificate from the external auditors, bar a minor point around the setting of the inspection period in 20-21, so there are no matters to be taken into consideration in 2022-3. The audit certificate was reported to Council at the September meeting.

O. Trusteeship

Interim Audit

The Council is not a trustee

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. In the meantime, do not hesitate to contact me if you have any questions at all.

Yours sincerely



Mike Platten CPFA

☎ 07958 990310

✉ mike@aprilskies.co.uk

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Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
Financial Regulation 10.1 – purchase orders The Council is not complying with this regulation – purchase orders are not raised on a systematic basis.	The Council should therefore review either the financial regulations or its ordering processes to ensure it complies with its own rules .	Financial Regulations have now been amended
The Insurers require valuations of assets insured every three years:	The Council should make sure that revaluations of key assets are completed in line with this requirement.	On work programme for 2023-24
A pay award letter was issued to the Clerk, but this does not state the annual salary to be paid. This makes verification of approved rates of pay difficult.	I therefore recommend that the annual pay award letter sets out the salary to be paid.	To be done for 23-24
I note that there is an overdue payment of £521 on the Council’s PAYE account with HMRC.	This should be investigated and the account brought up to date.	Now been paid and account cleared.

Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
VAT return periods	It is recommended that the Council should contact HMRC and try to bring VAT periods in line with financial year end in the course of 23-24.	
All computer data is backed up by the IT contractors, Cloudy IT.	It is recommended that confirmation of back up is obtained annually from the IT contractor.	
I note that the new fences purchased by the Council have not been added to the asset register – this is an omission and should be corrected.	This will increase the value of the asset register and the balance in box 9 of the accounts.	
The Council should also draw up a fixed asset accounting policy, for approval by Council.	This should establish a cost threshold at which assets should be added to the asset register, and refer back to guidance on asset accounting in the JPAG Practitioners' Guide.	

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	Trust Funds	No trusts at this council

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