

Rosie Jardine
Clerk to Cold Ash Parish Council

23 April 2025

Dear Rosie,

Cold Ash Parish Council – Internal Audit 24-25

Final Audit Report

The internal audit for the 24-25 financial year is now complete. I am able to report that I have signed off the internal audit section of the Annual Governance and Accountability Return (AGAR) with the qualification of one control objective:

<u>O - Trust funds (including charitable)</u> <u>The council met its responsibilities as a trustee.</u>	The Council is the sole trustee of the Poors Allotments and Recreation Ground Charities (Charity 300138). Transactions are recorded in both the AGAR and in the Annual return submitted to the Charity Commission – effectively the transactions are counted twice in external accounts.
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The Council should also mark assertion 9 on the Annual Governance Statement as “NO” and prepare a note for external audit setting out how this matter will be dealt with in 25-26.

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 24-5. 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 3 December, this concentrated on in year financial transactions and governance controls. The final audit was carried out on 23 April and concentrated on the statement of accounts and balance sheet.

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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 24-25 financial year. As a result, there has been a major improvement in the book keeping process. 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. Financial reporting is produced directly from the accounting system and is available on demand. The Clerk has significantly improved arrangements from the situation I reported in my 23-24 audit. Financial records are up to date and clear to follow.

I checked the opening balance on the Scribe cashbook (£79,102.79) to the box 8 on the audited accounts for 23-24 as published on the Council website. (£79,103).

2 VAT returns have been submitted in 24-25 to date. I checked the quarter 2 return, this was submitted to HMRC in mid-October. The amount reclaimed was £ 704.57. This has been agreed to the VAT report from Scribe, and this was received in bank on 22 October. The Clerk may wish to explore the option of digital submission for VAT returns, Scribe will be able to assist with this.

Final Audit

The accounting statements have been agreed back to year end reports produced from the Scribe accounting system (annual return report and cashbook). All comparatives reported in the financial statements have been agreed back to the audited 23-24 accounts, as published on the Council website.

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 1 April. VAT of £887 was reclaimed. VAT reclaimed has been agreed to a schedule of transactions extracted from the Scribe accounting system for quarter 4 24-25.

My interim report was considered at the December Council meeting (minute 239589). Minutes show proper consideration of all recommendations raised.

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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 have both been reviewed recently:

- Standing Orders – July 2023
- Financial Regulations – July 2024 – minute 239496

Both documents are based on NALC templates and appear up to date and comprehensive. The new financial regulations issued by NALC in the Spring have been adopted by the Council, so I am satisfied that financial regulations are up to date.

The Council uses the following process for making payments to suppliers. This has changed since 23-24. All invoices are sent to the Clerk. These are recorded on Scribe, and then listed on a payment listing, which is presented for approval at the monthly council meeting. Once the payment has been approved, payments are made to the supplier. The Clerk sets up payments at bank, one approver from a panel of 2 councillors approves the bank payment.

I carried out a sample test of 5 non-pay expenditure transactions selected at random from payment listing for the first 8 months of the financial year. I was able to confirm the following for all transactions:

- Payment agreed to invoice
- Payment approval noted in minutes of council meeting
- VAT accounting correct
- Expenditure appropriate for the Council

There is no evidence retained of who authorises bank payments, this is a result of the poor audit log provided by the Co-op Bank. Evidence should be retained showing which councillor has approved a payment run. This can be by email or by signature, although consideration should be given to moving to a bank with a better audit log.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £ 51352, down from £91,390 in 23-24 .

I tested 3 further payments from quarter 4 selected from the expenditure report produced from the Edge accounting system. For both transactions I confirmed the following:

- Cashbook entry agreed to invoice
- VAT accounting correct

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- Expenditure appropriate for the Council

As at the interim audit, no record is kept of payment authorisation by councillors. This should be rectified in the new financial year, either by:

- Moving the current account to bank that retains a record of who has authorised transactions; or
- Setting up a system where councillors sign off invoices as they authorised them at bank

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 start date of 1.4.24, valid until policy the policy is cancelled.

Assets insured are :

Premises address	Sum insured
Metal Store, Recreation Ground, Thatcham, RG18 9JH	£90,445
Parish Office, Hermitage Road, Thatcham, RG18 9JH	£105,564

Item description	Excess	Amount Insured
Total Buildings	£250	£196,009
Gates and fences	£250	£15,990
Fixed outside equipment	£250	£650
Street furniture	£250	£35,518
War memorials	£250	£16,695
Playground equipment	£250	£66,473
Sports surfaces	£250	£0
Other surfaces	£250	£98,193

Asset cover appeared satisfactory with coverage included for the playground. Money cover is set at £250K. This is sufficient, given funds held by the Council.

The Council completed the annual risk assessment review at the Full Council meeting in July 24 (minute 239498). I have reviewed the risk assessment and whilst it meets the requirements of this control objective, the risk assessment is basic. The Council may wish to review this risk assessment for 25-26, using a template from other councils as a starting point. Cyber security risks should be considered as part of this process.

All computer data is backed using Office 365. This ensures that computer data is backed up on an ongoing basis, and can be accessed readily in case of computer failure. The accounting system is backed up by Scribe as part of the contract with the supplier.

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It is a requirement of the NALC Practitioners' Guide that all Councillors should have official parish council email addresses. All councillors now have gov.uk email addresses in place, this addresses a recommendation raised at last audit.

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 25-26 budget setting process is underway. The Finance Committee has reviewed the draft budget. The 1st draft budget will be considered at Full Council in December, with approval in January 2024. A timetable of meetings is in place to ensure that a budget is produced in line time for precepting authority deadlines.

I confirmed regular budget monitoring reports, as required by financial regulations, are being produced for each Council meeting. This is confirmed in minutes of the October 2024 Council meeting, where the budget to the end of quarter 2 was reviewed. I reviewed the report produced for this meeting. The report is produced from the Scribe accounting system. The F&GP Chair and Clerk are working to identify the most suitable report on Scribe – a short narrative report each month may assist councillors.

I will review reserves at my year end audit, but I understand that reserves are reviewed as part of the budget setting process.

Final Audit

Reserves at 31 March 2025 were £154,920 (23-24 £79,103).

Reserve balances at year end were as follows:

-	<u>31.3.25 Balance</u>
Earmarked	
Tennis Court Refurb	4,814.00
Elections	3,205.00
CIL	96,525.07
Grit Bins	1,815.00
War Memorial Maintenance	800.00
Cemetery	2,319.66
Ash Dieback	5,530.14
Cricket Square Refurb	282.24
3rdPartyFundingSouthendProje	2,335.25
Projects	0.00
Recreation Ground Treatment	1,600.00
Pre-School Garden	280.00
NDP Defence/Local Plan Chall	797.81
Tot Earmarked	120,304.17
GENERAL FUND	34,615.77
TOTAL FUNDS	154,919.94

General reserves are 50% of precept, this is the mid – point of levels recommended in the NALC Practitioners’ Guide.

CIL receipts received in 24-25 have correctly been transferred into an earmarked reserve, awaiting use on appropriate projects. Other earmarked reserves are in place to cover future costs anticipated by the Council.

The Council has completed the process of setting the 25-26 budget and precept. These were approved at the Full Council meeting on 14 January 2025 – minute 25.12 A for budget, B for precept. A precept of £73,928 was set, Minutes show proper consideration of the budget by councillors, a budget of £81.3K was set, funding being provided by precept plus bank interest income plus general fund.

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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.

I reviewed 2 high value CIL credits. I agreed cashbook entry agreed to remittances from WBC, and also checked the credits to bank statements. The Clerk confirmed these monies have been credited to the CIL earmarked reserve.

Final Audit

Precept per box 2 to the accounts was £66,000 (23-24 £50,000). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £81,893 (23-24 £62,169).

No further testing at year end audit, sufficient testing completed at interim audit, and very few income credits in cashbook since my last audit.

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

No 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 and Final Audits

Staff costs per box 4 to the accounts were £20,724 (23-24 £23,405).

Processing of Clerk's salary is outsourced to Autella Payroll Services. I checked the payment to the Clerk for August 24. I agreed payment as recorded on Scribe back to the payroll report. I was able to agree gross pay back to approved rates of pay:

- To minute approving rate of pay and hours for the Clerk (12 March 24 meeting) 239434. The annual pay award and for 24-25 has been recorded in a confidential minute or letter to the Clerk each year.

At the final audit I confirmed that box 4 to the accounts only included costs relating to the employment of staff, (salaries / payroll taxes and pension costs) as required by regulations.

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

Final Audit

Fixed assets per box 9 to the accounts were £ 287,412 (23-24 £287,412)

I have agreed the balance in the accounts back to the asset register. The asset register appears complete and to record assets at cost or proxy cost, as required by regulations, with sufficient detail to locate all assets listed. There are no additions or deletions in year, this is supported by a review of transactions in the cashbook.

I recommend that physical verification of all assets recorded on the asset register is carried out in 24-25 to ensure that all assets can be located and are still usable.

I – Periodic and year-end bank account reconciliations were properly carried out.

Interim Audit

A bank reconciliation document is prepared each month and reviewed by Council at the monthly meeting. A review of the bank reconciliation file confirmed that the bank reconciliation occurs each month, and is reviewed by a councillor.

I reviewed the October bank reconciliation. I agreed balances on the reconciliation to the Scribe system, and to bank statements. The reconciliation has been evidenced as reviewed by a councillor.

The Council does not have an investment policy. This is a statutory requirement for all councils with cash in excess of £100K. I therefore recommend that a policy is adopted before financial year end, and the Council considers moving deposits not immediately required to a higher interest bearing account.

Final Audit

Cash per box 8 to the accounts was £154,920 (23-24 £79,103)

I reperformed 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 reconciliation has been reviewed by the Chair of the Finance Committee and this is evidenced. The latest available statement for the reserve account was dated 15 January 2025. A year end version should be obtained before the AGAR is approved.

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The Council now has an investment policy in place, this was approved at the March Council meeting. It is recommended that the Council looks for an account with a better interest rate, the Co-op reserve account only offers 1.5%.

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 maintains a website and key financial information such as budgets, annual returns and CIL data is reported. As a council with expenditure above £25K and below £200k, there are no specific transparency code requirements applicable. There is an archive of AGAR documentation as required by regulation.

M - Arrangements for Inspection of Accounts

Inspection periods for 23-24 accounts were set as follows

Inspection - Key date	23-24 Actual
Accounts approved at Full Council	14 May Full Council
Inspection period begins	4 June
Inspection period ends	15 July
Correct length	Yes

I am able to sign off that the Council has met the requirements of this control objective.

N: Publication requirements 23-24 AGAR

The 23-24 Accounts and Annual Governance Statements have been published on the Council website, alongside the external audit certificate.

The external audit certificate is dated 7 August. The Conclusion of Audit certificate is also published, dated 4 September, before the statutory deadline of 30 September. The external audit certificate was reported to the August meeting of Council. The Council received a clear audit opinion, with the following matters raised in the “Other Matters” section of the audit certificate.

The smaller authority is sole managing trustee of ‘The Poor’s Allotment & Recreation Ground Charities’ (Charity Number 300138) and has answered ‘No’ to Section 2, Box 11(b) as trust transactions are included within the figures in the AGAR. Our understanding is that the trust does not have its own bank account and the trust transactions are recorded both in the AGAR and also in the annual accounts submitted to the Charity Commission. This is not in accordance with proper practices as set out in the Joint Panel on Accountability and Governance Practitioners’ Guide. We recommend that the smaller authority follows the action plan set out in the internal auditor’s detailed report to regularise the accounting and reporting of the trust fund and its transactions. The smaller authority has disclosed this by responding ‘No’ to Section 1, Assertion 9.

The smaller authority has confirmed that it has not complied with the governance Assertions in Section 1, Boxes 1,7,9 and it has provided the appointed auditor with an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified.

These matters are reviewed in the detailed sections of this audit report.

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

The Council is the sole trustee of the Poores Allotments and Recreation Ground Charities (Charity 300138). Previous internal audit reports have reported that the trust transactions are recorded in both the AGAR and in the Annual return submitted to the Charity Commission – effectively the transactions are counted twice in external accounts.

Whilst work has continued on this issue in 24-25, it is not possible to separate the Charity from the Council until the Charity has its own bank account. This should be progressed as much as possible before year end. I will again not be able to sign off that the Council has met the requirements of this control objective, and recommend that the Council marks assertion 9 on the Annual Governance Statement as “NO”.

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. I look forward to working with you again next year, in the meantime 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 - Interim Audit

Matter Arising	Recommendation	Council Response
There is no evidence retained of who authorises bank payments, this is a result of the poor audit log provided by the Co-op Bank.	Evidence should be retained showing which councillor has approved a payment run. This can be by email or by signature, although consideration should be given to moving to a bank with a better audit log.	Still an issue at year end, Council is moving to Unity Bank with better audit records
I have reviewed the risk assessment and whilst it meets the requirements of this control objective, the risk assessment is basic	The council may wish to review this risk assessment for 25-26, using a template from other councils as a starting point. Cyber security risks should be considered as part of this process.	The Clerk has drafted an appropriate risk assessment for consideration in 25-26
The Council does not have an investment policy. This is a statutory requirement for all councils with cash in excess of £100K	I therefore recommend that a policy is adopted before financial year end, and the Council considers moving deposits not immediately required to a higher interest bearing account	Now adopted
It is not possible to separate the Charity from the Council until the Charity has its own bank account. This should be progressed as much as possible before year end	However, if the separation of the accounts of the two entities is not completed by 31 March, I will again not be able to sign off that the Council has met the requirements of this control objective.	Still working on separation of the 2 entities, Clerk is working with councillors to complete set up of the charity bank account.

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Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
Asset Register	I recommend that physical verification of all assets recorded on the asset register is carried out in 24-25 to ensure that all assets can be located and are still usable.	
Year end bank statement	The latest available statement for the reserve account was dated 15 January 2025. A year end version should be obtained before the AGAR is approved.	
The Council now has an investment policy in place, this was approved at the March Council meeting.	It is recommended that the Council looks for an account with a better interest rate, the Co-op reserve account only offers 1,5%.	

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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 last year

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