

Rosie Jardine
Clerk to Cold Ash Parish Council

3 December 2024

Dear Rosie,

Cold Ash Parish Council

Interim Internal Audit 24-25

Following the interim audit completed on 3 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 24-25 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
- Review of accounting and VAT processes
- 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
- Arrangements for inspection of accounts
- Bank reconciliations.

I am pleased to report that the Council has made significant improvements to the financial control environment, following recommendations raised at my last audit. There is still work to do in separating the Recreation Ground Trust from the Council, but apart from this no significant matters remain outstanding. At Appendix A I list recommendations arising from this audit.

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.

☎ 07958 990310

✉ mike@aprilskies.co.uk

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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 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.

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.

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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.

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.

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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.

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.

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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.

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 Audit

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.

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

Year end test – The Asset Register needs to be reviewed before year end, and it may be sensible to record this on Scribe.

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.

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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

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. 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.

I attach my invoice for your consideration . I would like to take this opportunity to thank you for your help with the audit, and I will be in touch in the new year to make arrangements for the year end audit.

Yours sincerely



Mike Platten CPFA

☎ 07958 990310

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Appendix A – Recommendations

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
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