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Louise Davies

Wisborough Green Parish Council

8 December 2021

Dear Louise

Wisborough Green Parish Council - Internal Audit 2021-22

Interim Audit Report

Following the interim audit completed on 7 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 2021-22 Annual Governance and Accountability Return (AGAR). I covered the following at this visit:

- Review of opening balances and reporting of 2020-21 audit opinion
- Testing of expenditure first 6 months of financial year
- Risk management and insurance
- Salaries and wages
- Budget monitoring reports
- Arrangements for inspection of accounts
- Bank reconciliations.

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.

A - Appropriate books of account have been kept properly throughout the year

Interim Audit

The Council uses the Quickbooks accounting system to record financial transactions. The Clerk is the only person with access to this application. The system is updated monthly 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 hard copy reports are easy to read and logically filed. References are complete and give a clear indication of payee and purpose of the transaction.

I was able to agree the opening balances in the Council's 4 cashbooks back to the accounts for 2020-21. Box 7 in last year's audited accounts was £156,928. This has been agreed to the balance brought forward on the bank reconciliation.

The Council has completed one VAT return this financial year for the period 1 April to 31 Oct. VAT reclaimed was £15K, this has been agreed to a schedule of transactions extracted from Quickbooks. The Council is not registered for VAT so completes a section 126 return.

I am satisfied that this control objective has been met.

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 - Governance

The Council reviews Standing Orders / Financial Regulations and the Code of Conduct annually at the May meeting of Full Council. The documents are based on NALC templates with minor amendments to reflect practices at the Council.

I checked that Acceptance of Office and Declaration of Interest forms were in place for a sample of 3 councillors. I identified one minor omission - the Chairman's Acceptance of Office form has not been signed. This should be rectified at the next council meeting.

Interim Audit - Expenditure

The Clerk outlined the Council's process for paying suppliers. Invoices are checked against order or contract. They are then posted on to quickbooks and arithmetic checked. Payment is set up on the bank account and the payment prepared for review at the next Council meeting. Approval to pay is noted in minutes and recorded by signature of councillor on payment list. Payment is approved on the bank account by one of two councillors with access to the Council bank account. I am satisfied that this payment approval process is consistent with financial regulation 6.4.

I carried out a sample test of non-pay expenditure transactions selected at random from the first 6 months of the financial year. I was able to confirm the following for all transactions:

- Payment agreed to invoice
- Invoice signed off by councillor on payment list
- VAT accounting correct
- Expenditure appropriate for the Council

I am satisfied that the Council is meeting 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 BHIB on a standard local council package. This is the first year with this insurer. The policy was in date at time of audit, with an expiry date of 30 September 2022. Asset cover appeared satisfactory with coverage included for the playground and other assets set out on the fixed asset register. The Clerk is working with the insurer to ensure fixed asset register categories match records held by the insurer.

Fidelity insurance cover needs to be kept under review. Fidelity guarantee is set at £150K. Council bank balances have exceeded this level in the past, and the Council may wish to increase the level of fidelity cover to ensure adequate cover is in place, should CIL income be received in the near future.

The Village Hall is leased by the Village Hall Committee, and the Committee is required to insure the building under the terms of the lease. I recommend that the Council checks the insurance document each year.

The Council Management and Financial Risk Assessment was reviewed at the Finance Committee in October and was adopted at Full Council in November 2021. I have suggested to the Clerk that insurance of the Village Hall should be added to the risk register. The Council has met its objectives for 21-22 with regard to risk management.

Computer data is backed up using BT cloud storage, the Council also has external IT support.

I am satisfied that the council is meeting 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

I was able to confirm that the process for setting the budget and precept for 22-23 is underway. The budget will be considered by the Full Council Committee on 7 December. A draft budget has been prepared for this meeting by the Clerk following on from discussions with councillors, and with reference to the Council's schedule of objectives.

The Council is due to pass final precept and budget resolutions at the Full Council meeting in January 2022. Precepting authority deadlines should be met.

I confirmed regular budget monitoring reports, as required by financial regulations, are being produced for Council meetings. A profit and loss report is produced from quickbooks for each Council meeting. I reviewed the report for the period to the end of October 2021. The budget appears to be on track and minutes confirmed proper review of the budget monitoring report has occurred.

I will review reserves at my year end audit. I note these have reduced in year due to expenditure on drainage work and contribution towards village hall from CIL reserves.

I have no recommendations to make in this area

E - Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Year end test

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

Payroll is processed by West Sussex County Council payroll department. Clerk's pay is processed and paid by WSCC, The Council pays WSCC by invoice and settles the monthly NEST pension contribution.

I checked the payment to the Clerk for July 2021. I was able to agree cashbook figure for net pay back to payroll, and from there I was able to agree gross pay back to notification from the Chairman, and payroll change form signed by 2 councillors.

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

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

Year end test

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

Interim Audit

The Council has four bank accounts, These are listed in the table below together with details of review completed at the interim audit.

Bank account	Frequency of reconciliation	Internal Audit Review
Barclays Current Account	Monthly	Checked October reconciliation to quickbooks and to bank statement. Review by councillor ticked but not signed
Barclays deposit account	Periodically, when account balance has changed due to transfers in or out	Not reconciled since March 21, so not audited at this audit
Nat West Reserve	Quarterly	Checked September reconciliation to quickbooks and to bank statement. Review by councillor evidenced
Nat West Current	Periodically, when account balance has changed due to transfers in or out	Checked October reconciliation to quickbooks and to bank statement. Review by councillor evidenced

The financial regulations require that

“On a regular basis, at least once in each quarter, and at each financial year end, a member, other than the Chairman or cheque signatory, shall be appointed to verify bank reconciliations (for all accounts) produced by the Clerk.” This is not happening for all accounts at present.

I therefore recommend that all bank accounts are reconciled to bank each quarter as a minimum.

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.

Year end test

M - Arrangements for Inspection of Accounts

Inspection periods for 2020-21 accounts were set as follows

Inspection - Key date	2020-21 Actual
Accounts approved at Full Council	27 April - Full Council
Date Inspection Notice Issued and how published	2 June – website and notice boards
Inspection period begins	3 June
Inspection period ends	14 July
Correct length	Yes

All regulatory requirements were met in this regard.

N: Publication requirements 2020-21 AGAR

The Statement of Accounts, Annual Governance Statement and the external audit certificate are published on the accounts page of the Council website. The external audit certificate is dated 9 September. The Conclusion of Audit certificate is also published, dated 17 September 2021, before the statutory deadline of 30 September. The Council received a comment from the auditors in the other matters cell of the audit certificate, relating to the appointment of the previous internal auditor. Moore have subsequently issued a letter correcting their error, and this has also been published on the Council website.

The Council met publishing requirements.

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

No trusts

I would like to thank you for your assistance with the audit. I attach my invoice, for your consideration. In the meantime, do not hesitate to contact me if you have any questions at all.

Yours sincerely



Mike Platten CPFA

Appendix A – Recommendations

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
<p>Fidelity guarantee is set at £150K. Council bank balances have exceeded this level in the past.</p>	<p>The Council may wish to increase the level of fidelity cover to ensure adequate cover is in place should CIL income be received in the near future.</p>	
<p>The Village Hall is leased by the Village Hall Committee, and the Committee is required to insure the building under the terms of the lease.</p>	<p>I recommend that the Council checks the insurance document each year, it is important that the Council checks this important asset has adequate insurance.</p>	
<p>The Chairman’s Acceptance of Office form has not been signed.</p>	<p>This should be rectified at the next Council meeting</p>	
<p>The financial regulations require that “On a regular basis, at least once in each quarter, and at each financial year end, a member, other than the Chairman or cheque signatory, shall be appointed to verify bank reconciliations (for all accounts) produced by the Clerk.” This is not happening for all accounts at present.</p>	<p>I therefore recommend that all bank accounts are reconciled to bank each quarter as a minimum</p>	

