

Jennie Currie
Sutton Courtenay Parish Council

15 May 2023

Dear Jennie,

Sutton Courtenay Parish Council – Internal Audit 22-23

The internal audit of Sutton Courtenay Parish Council for the 2022-23 financial year is now complete. The audit was carried out remotely on 10 May 2023.

I am able to report that I have signed off the internal audit section of the Annual Governance and Accountability Return (AGAR) for 2022-23 with one exception:

Control Objective C - The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. The risk assessment has not been reviewed at a meeting of the Council in the course of the 22-23 financial year.

The Council should also mark box 5 on the Annual Governance Statement as 'NO'.

I set out the results of my audit in the attached report.

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– 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 in the detailed report, together with the results of my internal audit work for 2022-23. Recommendations identified in the course of my testing are attached at appendix A. These will be followed up at my next audit. At Appendix B I list tests not completed at this Council as they are not applicable.

You should now present this report to the next available meeting of Full Council, to assist councillors in the sign off of the Annual Governance Statement.

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

The Council maintains financial records on an excel spreadsheet. My testing confirmed that receipts and payments are balanced to the cashbook and reconciled to bank statements on a regular basis. In the course of my testing I confirmed there is a clear audit trail from the accounts to supporting documentation such as invoices.

I was able to agree the opening balances in the cashbook back to the audited accounts for 2021-22, by recreating the bank reconciliation for the year. The audit certificate for 21-22 was qualified – see extract below.

2 External auditor report 2021/22

Except for the matters reported below on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return is in accordance with the Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

It was noted in our report for the 2020/21 Annual Governance and Accountability Return that Box 11 of Section 2 and Box 9 of Section 1 were not completed. This omission has been repeated in the current year. As the Council does not appear to act as a Sole Trustee, we would have anticipated a 'N/A' response for this item, the form was returned to the Council for this item to be completed. This is a repeated breach of proper practices and therefore the Council should have considered a 'No' response to this Assertion in Section 1.

Further, this indicates that the Council has not satisfied Assertion 7 for the 2021-22 year as it had not taken appropriate action on all matters raised in reports from internal and external audit when completing the Return.

The Council should note this requirement before completing its 2022-23 Return to prevent any further reoccurrences and carefully consider its response for Assertion 7.

Also, in the prior year we reported that the Council had rounding differences between boxes 7 and 8. It was noted as part of our 2021 report that the figure per box 8 was correct following a review of the bank reconciliation. The Council has not restated any figures in boxes 1-7 for the prior year. However, in completing the current year, the council has adjusted the 2022 box 1 balance so that it does not equal the 2021 box 7 balance c/fwd, which does not accord with proper practices. Based on this the Council should have considered responding 'No' within Section 1 of the return to assertion 3 (fully complying with laws and regulations).

Point 1 - the Council must make sure the Trust boxes on the AGAR are completed accurately for 22-23.

Pont 2 – Assuming the Council completes the AGAR correctly in 22-23, I believe the council can confirm it has responded appropriately to matters raised by audit.

Point 3 – I have checked the 22-23 annual return and there is no repetition of the rounding error raised by external audit.

The Council is up to date with VAT. VAT returns were submitted to HMRC for February to October 2022 and November 2022 to February 2023. Claims have been settled by HMRC.

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The accounting statements have been agreed back to bank reconciliation and cashbook reports produced from the Council's excel accounting package. All comparatives reported in the financial statements have been agreed back to the audited 21-22 accounts as published on the Council website. Arithmetic has been checked.

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

Non pay expenditure per box 6 to the accounts amounted to £320,493, up from £58,599 in 2021-22. The increase is due to expenditure on the playground.

Standing Orders and Financial Regulations are based on NALC templates. These were last reviewed at the Council meeting in May 2022 – minute 99.

The Council has a clear process for making payments to suppliers. Each month the Clerk prepares a payment list, which is presented to the Council meeting, along with paper copies of invoices. Invoice approvals are listed in minutes. Payments are then set up by the Clerk and authorised at bank by 2 councillors. There is adequate separation of duties in this system.

I carried out a sample test of non-pay expenditure transactions selected at random from cashbook throughout the financial year. The value of transactions tested was £253K. I was able to confirm the following for all transactions:

- Payment agreed to invoice
- Invoice signed off by 2 councillors on payment schedule
- Expenditure appropriate for this Council
- Payment approval noted in minutes
- VAT accounting correct

For 3 payments to Komplan, I checked payments made to the Council to invoice, less contributions from FCC Communities Foundation, who part funded the playground.

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I understand that the contract for the new playground was not advertised on the Government's Contract Finder website. The Council took advice from OALC, which has subsequently been followed up by the Clerk, this concluded that:

The clerk seems to be under the mistaken (but common) impression that "contracts must be advertised on contracts finder". As explained in the previous advice, councils are only required to use contracts finder where they publish an open invitation to tender (i.e. anyone can bid for the work).

Given that the Council has obtained this advice, I conclude that the contract was let in line with the requirements of financial regulations.

C - The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The Council is insured with Ecclesiastical on a standard local council package, arranged by Gallaghers. The policy was in date at time of audit, with an expiry date of September 2023. Asset cover appeared satisfactory. No buildings are insured, main items listed in the policy are

- Wall - insured value £ 24K
- War memorials - insured value £ 30K
- Playground – insured value £173 K. I discussed this with the Clerk, this includes coverage for the new playground equipment .
- Surfaces £48K

Money cover is sufficient at £250K. This is comfortably in excess of cash balances held by the Council.

The Council backs up computer data to Google Drive. The laptop has a live backup to Google Drive which includes the HMRC PAYE Basic data. The email system is held on a remote server with the IT provider.

The risk assessment has not been reviewed at a meeting of the Council in the course of the 21-22 financial year – the last review was completed in February 2022. I am therefore not able to sign off that the Council has met the requirements of this control objective, as Council has not considered the risk assessment at a Council meeting in 2022-23. The Council should also mark box 5 on the Annual Governance Statement as 'NO'.

I have reviewed the risk register, and whilst it covers some risks likely to be faced by this Council, it is weak with regard to financial and administrative matters. I therefore recommend that a finance and administration risk assessment is completed in 2022-23, templates can be found on other council websites.

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D - The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Final Audit

Reserves at 31 March 2023 were £158,174 (21-22 £182,808).

The precept and budget for 2023-24 were approved at the Council meeting in December 2022. A precept of £79,500 was set. A detailed budget was also agreed and is included in minutes of this meeting. This provides a clear record of the budget approved by the Council.

The Council confirmed earmarked reserves of £141K at the March 2023 meeting. Details of these reserves are set out in the extract from minutes below:

Ear marked reserve title	Action / Notes	Balance
Cemetery upgrade	-	£21,230.00
Defibs	Add £3,005	£3,005.00
LM Leaving present	Close	Close
Neighbourhood Plan	-	£7,347.23
Office equipment	Potential cost of printer to be deducted from £1,416.	£1,266.02
Professional advice (£1.6k held for Joint Parish HIF1 work)	-	£26,750.33
Recreation Ground	Add £1,400	£1,400.00
Signs/SIDS/Noticeboards	Add £463.95 from above.	£8,778.95
Village Hall	-	£15,000.00
Village leaflet	Close, transfer £736.05 to General to cover Art Trail, the rest £463.95 to Signs.	Close
CIL	Protected funds	£50,726.84
S106 Art Fund	Protected funds	£0
S106 Goal Posts	Protected funds	£5,931.00
	Total	£141,435.37

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The general reserve at 31.3.23 was therefore £16,700. This represents 21% of the precept, and is thus below the level recommended in the JPAG Practitioners' Guide, which suggests that general reserves should be held at 3-12 months of net revenue expenditure. I would recommend a general reserve of around 40-50% of precept for a Council of this size, and I therefore recommend that the Council reviews reserves as part of the 24-25 budget setting process.

I confirmed regular budget monitoring reports, as required by financial regulations, are being produced for Council meetings by reviewing minutes. At each Full Council meeting, the Clerk issues a finance pack. This includes a receipts and payments report .

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

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

Precept per box 2 to the accounts was £79,262 (2021-22 £75,694). This has been agreed to third party documentation provided by central government.

Income per box 3 to the accounts was £234,345 (2021-22 £38,891). The increase is due to funding for the new playground.

I tested 7 transactions, with a value of £218K. For all transactions tested I agreed cash book entry to the Council's bank account. I also checked income banked to third party documentation, such as

- Grant award letter
- VAT claim
- Email confirming payment from grant giver

I am content that this control objective has been met

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.

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G- Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.

Staff costs per box 4 to the accounts were £17,748 (2021-22 £16,720).

I confirmed that the accounts only include payments relating to employment of staff in box 4 to the accounts. I tested the February 2022 payment to the Clerk, and was able to agree the cashbook entry to payslip. From there I was able to confirm gross pay to pay award for as published on the JNC payscale for 22-23. I also checked the HMRC website with the clerk and no payments were outstanding relating to payroll

I am content that this control objective has been met

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

Final Audit

Fixed assets per box 9 to the accounts were £ 367,157 - Amended figure (21-22 172,186).

My initial review identified errors in the recording of additions on the asset register, around accounting for the new playground. The Clerk reviewed these items and the asset register and statement of accounts were amended.

I have agreed the revised balance in the accounts back to the amended asset register. The asset register appears complete and to record assets at cost or proxy cost, as required by regulations. I checked arithmetic, and the accounts balance agrees to the assets listed on the asset register. The new playground has been added to the asset register at cost and old items deleted as they were removed.

I am satisfied that revised asset register balance meets requirements of the NALC Practitioners' Guide.

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

Final Audit

Cash per box 8 to the accounts was £158,174 (21-22 £182,808)

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.

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I reperformed the year end bank reconciliation. For all bank accounts I was able to agree the balance on the bank reconciliation back to bank statements and cashbook balances recorded on the excel spreadsheet. I note that the reconciliation has been reviewed by Councillor Atkinson, and this review properly evidenced on the reconciliation and the bank statements. I checked the balances online for the Santander accounts, and was able to confirm bank balances at 31.3.23 in the bank reconciliation agreed to the year end bank balance.

I am satisfied that the Council met this control objective.

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.

Satisfactory – Sutton Courtenay has elected to produce accounts on the receipts and payments basis. This is permitted as 22-23 is the first year that receipts and payments at the Council have exceeded £200K. Accruals accounting is mandatory if this threshold is crossed for 3 years in succession.

I am satisfied this control objective has been met.

K: If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt.

Not applicable, limited assurance review completed in 21-22

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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 has published statutory documentation as required by the 2015 Transparency Code. The Council has an up to date website, and the 21-22 AGAR and 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.

M - Arrangements for Inspection of Accounts

Inspection periods for 21-22 accounts were set as follows

Inspection - Key date	21-22 Actual
Accounts approved at Full Council	10 May Full Council
Date Inspection Notice Issued	13 June
Inspection period begins	14 June
Inspection period ends	25 July
Correct length	Yes

The Council has met the requirements of this control objective.

N: Publication requirements 2021-22 AGAR

The Statement of Accounts, Annual Governance Statement and the external audit certificate for 21-22 are published on the transparency page on the Council website. The Conclusion of Audit certificate was published on 25 August, after the date of the audit certificate (22 August). The external audit certificate for 21-22 has not yet been reported to Full Council. This omission must be corrected at the next available meeting.

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

Satisfactory –The Council has confirmed to me that the Council is not sole trustee of a charity. Care must be taken to complete the AGAR correctly to disclose this.

I would like to thank you for your assistance with the audit. I attach the internal audit report from the AGAR and my invoice, for your consideration. I have charged an extra £100 compared to the estimate set out in my engagement letter. This is because of the increased income and expenditure in 22-23, which resulted in additional testing and review.

Please do not hesitate to contact me if you have any questions at all.

I look forward to working with you again in 2023-24.

Yours sincerely



Mike Platten CPFA

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Appendix A – Recommendations

Points Forward – Action Plan

Matter Arising	Recommendation	Council Response
The external audit certificate for 21-22 has not yet been reported to Full Council. .	This omission must be corrected at the next available meeting.	
The risk assessment has not been reviewed at a meeting of the Council in the course of the 22-23 financial year – the last review was completed in February 2022.	I am not able to sign off that the Council has met the requirements of this control objective, as Council has not considered the risk assessment at a Council meeting in 2022-23. The Council should also mark box 5 on the Annual Governance Statement as 'NO'.	
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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 in 22-23
O	Trust Funds	No trusts at this council

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