

6 Uplands Road
Farnham GU9 8BP

Lisa Thompson
Clerk to Dormansland Parish Council

11 May 2022

Dear Lisa

Dormansland Parish Council

Internal Audit 2021-22– Interim Audit Report

The internal audit of Dormansland Parish Council for the 2021-22 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 2021-22 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 2021-22.

The audit was carried out remotely after the financial year end, during the week of 11 May 2022. Interim audits were completed on 7 March and 13 December.

I understand that you have resigned from the Council and will be leaving shortly. It is important that the Council receives this report and approves the Annual Governance Statement and Accounting Statements at a meeting of Full Council before 30 June 2022. Care should be taken to ensure that

- all sign offs are completed as required by regulations
- all papers requested by external audit are submitted by 1 July
- inspection periods are set in line with regulations after the accounts have been approved by Full Council.

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

Interim Audit

The Council maintains financial records on an excel workbook, This is updated regularly, and the accounts are reconciled to the bank account each month. I discussed with the Clerk the option of moving the accounts to the RBS Alpha application. I would recommend this as a means of improving financial reporting and improving efficiency of accounting processes at the Council.

I was able to agree the opening balances in the cashbook back to the audited accounts for 2020-21. Box 7 of the 2020-21 accounts showed a balance of £72,611. This has been agreed to the opening balance on the cashbook. In the course of my testing I confirmed there is a clear audit trail from the accounts to supporting documentation, such as invoices.

The Council received a clear external audit certificate for 2020-21, there is nothing that needs to be taken forward to the 20-21 financial statements.

The Council is not registered for VAT and therefore reclaims VAT using the VAT 126 online VAT submission procedure. No VAT claim has been submitted for this financial year. I note that VAT has not been separately identified in the cashbook, so I cannot ascertain the amount of VAT owed to the Council.

I recommend that:

- All transactions posted to the cashbook in the current financial year are reviewed, and VAT identified and entered into the appropriate column on the cashbook
- VAT claim is submitted to HMRC using the VAT126 online form for the period 1.4.21. to 31.3.22 as part of year end closedown.

2nd Interim and Final Audits

The Clerk confirmed that the RBS Alpha accounting system is to be installed in the new financial year.

I have reviewed the cashbook. This has now been amended and VAT allocated to all transactions in 21-22 financial year. A VAT claim for the 21-22 financial year has been submitted to HMRC, submission date 4.4.22. I have recommended that this should be done at least twice a year going forward, after the new accounting system is installed.

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 2020-21 accounts as published on the Council website.

I am satisfied the Council met the requirements of this control objective.

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 been reviewed. Approval was minuted at the Annual Council meeting in May 2021 (minute 13).

The Council has moved to making payments by BACS, following a recommendation I raised at my last audit. I recommend that the financial regulations should be reviewed within the next 6 months. The BACS payment process in place at the Council should be documented within the regulations.

I also recommend that the Clerk makes payments to suppliers once a month, this would be more efficient than the current process and would permit the Clerk to concentrate on non-finance work.

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

- Payment agreed to invoice, or resolution to make grant award
- Invoice signed off by 2 councillors
- Payment approval noted in minutes of council meeting (2 payments sampled due to be reported to next Council meeting)
- Expenditure appropriate for the Council.

I confirmed by sample check of 3 councillors that the following statutory forms have been signed in line with regulations:

- Acceptance of Office
- Register of Members Interest

All forms checked had been completed in line with regulations, with one exception. The Acceptance of Office form for Councillor Bright was not to hand, I will check this at my next audit.

2nd Interim and Final Audits

Non pay expenditure per box 6 to the accounts amounted to £15,871, down from £24,981 in 2020-21.

The Acceptance of Office form for Councillor Bright was checked and found to be in order.

I tested a further sample of expenditure transactions from months 6-12. For all transactions tested I was able to confirm;

- Payment agreed to invoice, or resolution to make grant award in Full Council minute

- Invoice signed off by 2 councillors
- Payment approval noted in minutes of council meeting
- Expenditure appropriate for the Council.

I note that a grant to the Parish Church is for the maintenance of the churchyard, which is considered an amenity for the whole village. The Clerk confirmed that advice was sought on this matter from Wellers Hedleys, who confirmed that the Council is able to make a grant award for this purpose.

I am satisfied the Council met the requirements of 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 Zurich Municipal on a standard local council package, I have checked indemnity cover / asset insurance and money cover and in my opinion, cover is appropriate for this small council. Money cover is set at £250K, more than sufficient for this Council. The policy was in date at time of audit, with an expiry date of May 2022. Asset cover also appeared satisfactory with coverage consistent with the asset register.

The Council risk register was considered at the Full Council meeting in on 7 April 2021. I have reviewed the risk register and it appears adequate for a council of this size and activity level. The Council has met its obligations in this area, which requires Council to assess risks at least annually. However, I would recommend that the risk assessment is reviewed and discussed at a meeting of Full Council before the end of the current financial year.

All computer data is backed up on a Seagate hard drive, held at the Clerk's home. The Council also now backs up data using a cloud provider, this addresses a recommendation made at my last audit.

The Council considered my last audit report at the Full Council meeting in June 2021. I set out responses to recommendations raised in Appendix B to this report.

I am satisfied the Council met the requirements of 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

Work on the 22-23 budget is under way. A working group consisting of 2 councillors, the locum and new clerk are preparing a budget for review by councillors over the Christmas period. The precept and budget is due to be reviewed at the Full Council meeting on 5 January. I remind the Council that budget and precept must be agreed at Full Council by the end of January to meet precepting authority deadlines.

I confirmed bank reconciliation and cash book reports, as required by financial regulations, are being produced for Council meetings. I note that the financial reporting workbook now includes a tab marked budget monitoring. I reviewed this and checked that totals in the budget monitoring statement for 31.10.21 could be agreed back to income and expenditure totals in the cashbooks. I confirmed budget v actual report was reported to the Council meeting on 3 November – minute 8.2.

2nd Interim and Final Audits

Reserves at 31 March 2022 were £95,001 (20-21 £72,611).

The Council holds the following earmarked reserves

Asset Repair/Replacement Fund	8,000.00
Payroll Contingency	3,000.00
Election Fund	3,000.00
CIL Reserve	4,124.76
Sure Start Children's Centre	10,000.00
Footpath Accessibility	25,000.00
New Farthingdale Project	25,000.00
SIDs	7,000.00

General reserves at year end were £9,877. This represents 18% of present, which is below the recommended level set out in the NALC Practitioner’s Guide. However, given well developed earmarked reserves to cover contingencies, I am satisfied that the Council has satisfactory reserve balances.

The Council approved the budget and precept for 2022-23 at the Full Council meeting on 19 January 2022 – minute 8.4. All precepting authority deadlines were met. I am pleased to note that the Council continues to receive budget monitoring reports at Full Council meetings. I reviewed the position at the end of February. The only significant overspend was on the website, I have seen evidence this was approved in advance.

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 £55,000 (2020-21 £40,000). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £5,007 (2020-21 £7,404).

The Council received CIL income of £3,727 from TDC in April 2021. I have confirmed this to a remittance advice note received from the district council.

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.

2nd Interim and Final Audits

Staff costs per box 4 to the accounts were £21,746 (2020-21 £21,798).

I confirmed that the accounts only include payments relating to employment of staff in box 4 to the accounts.

I agreed the Clerk's salary for February 2022 from the cashbook back to payslip. From there I was able to agree gross pay back to contract, and additional payments for overtime and working from home allowance. These additional payments had been approved by councillors, evidenced by signature on the payroll summary document. Calculations were correct.

I am satisfied this control objective is being met.

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

2nd Interim and Final Audits

Fixed assets per box 9 to the accounts were £ 45,735 (20-21 £52,065). 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. I checked arithmetic, and the accounts balance agrees to the assets listed on the asset register.

The Council has completed a detailed review of the asset register. All asset locations have been updated, and photos added to the asset register. The accounting value of these assets is around £45K, a decrease from the figure of £52K in the 20-21 accounts, this is due to the process of updating the register to reflect assets actually held by the Council.

The asset register is held as a word document, which is not useful when preparing accounting statements. It is recommended that the asset register should be transferred to excel for 22-23 financial year.

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

Interim Audit

I have reviewed the cashbook, and there is clear evidence that the cashbook is reconciled to bank statements on a monthly basis.

I re-performed the bank reconciliation for September 30th 2021. I tested the following.

- Confirmed balances back to bank statements

- Checked arithmetic
- Confirmed cashbook balances for income and expenditure could be agreed back to the Council's excel cashbook

I confirmed that the bank reconciliation had been reviewed by a councillor, and that this review has been evidenced by signature.

2nd Interim and Final Audits

Cash per box 8 to the accounts was £95,001 (20-21 £72,611)

I reformed the bank reconciliation for January and March 2022. I was able to confirm

- The reconciliation had been completed promptly after the end of the month
- Confirmed balances back to bank statements
- Checked arithmetic
- Confirmed cashbook balances for income and expenditure could be agreed back to the Council's excel cashbook

I am satisfied controls over the Council's cash and bank are adequate and that this control objective has been met.

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 – Accounts have been produced on a receipts and payments basis, this is appropriate as income and expenditure at the Council is below £200k.

An explanation of year-on-year variances has also been prepared, with detailed explanations for variances provided.

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

The requirements of the Transparency Code 2015 do not apply to this Council, as gross income and expenditure is below £200K. This test is therefore not applicable at this Council and the internal audit report will be marked as not covered

M - Arrangements for Inspection of Accounts

2nd Interim Audit

Inspection periods for 20-21 accounts were set as follows

Inspection - Key date	2020-21 Actual
Accounts approved at Full Council	5 May 2021 Full Council
Inspection period begins	3 June
Inspection period ends	14 July
Correct length	Yes - 30 working days

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 – inspection rights.

N: Publication requirements 2019 AGAR

The Statement of Accounts, Annual Governance Statement and The Conclusion of Audit certificate are published on the website. Conclusion of Audit notice is dated 27.9.21, before the statutory deadline. The external audit certificate was not published on the Council website at the time of my audit, this should be done. The external audit certificate was reported to the November Council meeting

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

Satisfactory –The Clerk has confirmed to me that the Council is not sole trustee of any charity.

I would like to thank you for your assistance with the audit. I attach my invoice and internal audit report from the AGAR 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 21-22 interim audit

Matter Arising	Recommendation	Council Response
No VAT claim has been submitted for this financial year.	VAT claim is submitted to HMRC using the VAT126 online form for the period 1.4.21. to 31.3.22 as part of year end closedown	No claim submitted as yet. Annual claim will be submitted as part of closedown for 21-22. Going forward reclaim process will be reviewed once new accounting system is installed.
I note that VAT has not been separately identified in the cashbook, so I cannot ascertain the amount of VAT owed to the Council.	All transactions posted to the cashbook in the current financial year should be reviewed, and VAT identified and entered into the appropriate column on the cashbook	Cashbook has now been updated
The Council has moved to making payments by BACS, following a recommendation I raised at my last audit	I recommend that the financial regulations should be reviewed within the next 6 months. The BACS payment process in place at the Council should be documented within the regulations	To be reviewed at Annual meeting in May.
Monthly payment run	I recommend that the Clerk makes payments to suppliers once a month, this would be more efficient than the current process and would permit the Clerk to concentrate on non-finance work.	Now implemented – invoices collated and approved prior to monthly payment run approval.
The precept and budget is due to be reviewed at the Full Council meeting on 5 January.	I remind the Council that budget and precept must be agreed at Full Council by the end of January to meet precepting authority deadlines.	Budget and precept approved in January
I discussed with the Clerk the option of moving the accounts to the RBS Alpha application. .	I would recommend this as a means of improving financial reporting and improving efficiency of accounting processes at the Council	To be implemented in new year

<p>The external audit certificate was not published on the Council website at the time of my audit.</p>	<p>This should be done</p>	<p>Now shown on website</p>
<p>The Council risk register was considered at the Full Council meeting in on 7 April 2021.</p>	<p>I would recommend that the risk assessment is reviewed and discussed at a meeting of Full Council before the end of the current financial year.</p>	<p>To be completed in new financial year. Risk assessment considered in 21-22 so not urgent</p>
<p>I note that the Council has begun work on checking the accuracy of the asset register, following a recommendation raised at my last audit.</p>	<p>Initial checks have identified a number of errors with data recorded on the register, and it is likely that I may not be able to sign off that the Council is meeting the requirements of this control objective for 21-22.</p>	<p>Review has now been completed, and asset register is properly documented with photographs and location information.</p>
<p>The inspection notice for 20-21 is not currently displayed on the Council website.</p>	<p>It is recommended that this is posted to the website, as this demonstrates that the Council met its legal obligations in the current financial year</p>	<p>Document located and reviewed by auditor</p>
<p>Acceptance of Office form – Councillor Bright</p>	<p>Auditor needs to see 2019 form at next audit</p>	<p>Now sent to auditor.</p>
<p>The accounting value of fixed assets is around £45K, a decrease from the figure of £52K in the 20-21 accounts.</p>	<p>The reasons for the change should be identified before the accounts are sent to the external auditors, as this is likely to need explanation in the variance analysis report reviewed by external audit</p>	<p>Clerk to review as part of year end accounts process</p>

Appendix B – Recommendations 21-22 final audit

Matter Arising	Recommendation	Council Response
<p>The asset register is held as a word document, which is not useful when preparing accounting statements.</p>	<p>It is recommended that the asset register should be transferred to excel for 22-23 financial year.</p>	
<p>It is important that the Council receives this report and approves the Annual Governance Statement and Accounting Statements at a meeting of Full Council before 30 June 2022.</p>	<p>Care should be taken to ensure that</p> <ul style="list-style-type: none"> - all sign offs are completed as required by regulations - all papers requested by external audit are submitted by 1 July - inspection periods are set in line with regulations after the accounts have been approved by Full Council. 	