

Rosie Jardine
Clerk to Cold Ash Parish Council

24 April 2024

Dear Rosie,

Cold Ash Parish Council - Internal Audit 2023-24

Final Audit

The internal audit for the 23-24 financial year is now complete. The audit was carried out in two stages. The interim audit was carried out remotely on 17 October, this concentrated on in year financial transactions and governance controls. The final audit was carried out in person on 23 April, at which further transaction testing was completed, alongside validation of the accounting statements and balance sheet testing.

I must report that I am not able to sign off the following control objectives:

Control Objective	Matter Arising
A - Appropriate books of account have been kept properly throughout the year	The Council does not have a cashbook in place. Financial records are maintained on a number of spreadsheets, but these do not constitute a proper cashbook. The accounts could only be compiled by recreating a cashbook from bank records
I – Periodic and year-end bank account reconciliations were properly carried out.	In the absence of a cashbook, recording all income and expenditure on a transaction by transaction basis, it is not possible to carry out a bank reconciliation each month
O - Trust funds (including charitable) The council met its responsibilities as a trustee.	The Poores Charity is not properly separated from the accounting records of the Council.

The Council should mark assertions 1,7 and 9 on the Annual Governance Statement as “NO”.

Annual Governance Assertion	Matter Arising
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	The Council does not have a cashbook in place. Financial records are maintained on a number of spreadsheets, but these do not constitute a proper cashbook.
7. We took appropriate action on all matters raised in reports from internal and external audit.	Both internal and external audit raised the issue of the charity not being separated from the parish council in 22-23.
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting.	The Poores Charity is not properly separated from the accounting records of the Council.

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**Company Registration Number 14174016
6 Uplands Road. Farnham GU9 8BP**

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Accounting

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 23-24. 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.

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

Interim Audit

The Council uses a variety of spreadsheets to record transactions and to report to Council. These include:

- receipts schedule,
- cheque payment schedules,
- a payments against budget schedule
- and a bank reconciliation.

The process is complex and the system lacks a basic cashbook that can be readily reconciled to bank statements. I understand that the new Clerk is researching software solutions to improve the Council's accounting processes. I would strongly recommend that the Council moves its financial records on to an industry specific package such as Scribe or Rialtas Alpha. This would

- Save time for office staff (for example in producing financial reports or the VAT return)
- Reduce risk of manual error
- Improve financial reporting available to the Council.

In the meantime, the Council needs to construct cashbooks for the current and savings accounts for the 23-24 financial year. These should be completed on a month by month basis, and reconciled to the bank statements as each month is completed. The Clerk has commenced this work.

A VAT return has been submitted for the period April to September 2023, the claim was submitted to HMRC on 2 October 2023.

In the absence of a cashbook that can be readily reconciled to bank accounts, I am not able to confirm that the Council is currently meeting this control objective.

Final Audit

The Clerk recreated a simple cashbook from bank statements for the Council's 2 bank accounts in order to compile the annual accounts for the AGAR. This was necessary as it was not clear how this could be done from the existing financial systems. I have checked this cashbook, arithmetic is accurate, and the accounts can be reconciled from opening balance to closing bank balances, via entries that can be checked to bank. I have also carried out extended testing of receipts and payments to ensure accounting entries can be supported by invoices, payroll or remittances for income. I therefore conclude that the accounting statements have been agreed back to financial records. All comparatives

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reported in the financial statements have been agreed back to the audited 22-23 accounts, as published on the Council website. I note that the 22-23 accounts page on the website redacted box 4 staff costs – this should be republished and the unredacted version placed on the website.

I am pleased to note that the Council has now installed the Scribe accounting system for 24-25. This will enable the Council to overcome the issues with financial reporting it has faced in 23-24, and will save the Clerk significant time in managing Council finances.

My interim report was considered at the November 23 Council meeting (minute 239353).

As indicated at my interim audit I indicated that I would not be able to sign off that the Council has met the requirements of this control objective, in the absence of a cashbook that can be readily reconciled to bank accounts. The Council should mark box 1 on the Annual Governance Statement as “NO”

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 (minute)
- Financial Regulations – June 2023 (minute 239246)

Both documents are based on NALC templates and appear up to date and comprehensive.

The Council has a long-standing process for making payments. All invoices are sent to the Clerk. These are then listed on a monthly payment listing which is presented for approval at the monthly council meeting. Once the payment has been approved, payments are then made to the supplier, either by cheque or by telephone banking.

Whilst this process is compliant with financial regulations, it should be updated, payments need to be made using internet banking, as increasingly, suppliers are not able to accept payments by cheque. I therefore recommend that the payment system is reviewed and a process put in place where payments are set up by the clerk and authorised by one or two councillors on line. This may require the financial regulations to be reviewed.

I carried out a sample test of 5 non-pay expenditure transactions selected at random from payment listing for the first 6 months of the financial year. I was able to confirm the following for all transactions:

- Payment agreed to invoice
- 2 councillor signatures on cheque stubs
- Payment on invoice agreed to bank
- Payment approval noted in minutes of council meeting
- VAT accounting correct

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- Expenditure appropriate for the Council

Payments are being made in accordance with terms of financial regulations.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £ 91,390, up from £49,406 in 22-23 .

I am pleased to note that the Council has moved to using internet banking to make payments to suppliers, this was overdue.

I carried out extended testing of expenditure at my final audit, to ensure that entries into the reconstructed cashbook could be supported by transactions recorded in the council’s financial records. I tested transactions amounting to £57K, 63% of non-pay expenditure recorded in the accounts. For all transactions tested, I was able to confirm that

- Payment on invoice agreed to bank
- Payment approval noted in minutes of council meeting

One payment of £2275 was paid to a supplier on the basis of an email of costs to a volunteer. This should not have been paid. All suppliers should be required to submit an invoice to the Clerk, failure to do this should mean non- payment.

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 1.4.23, valid until policy the policy is cancelled. The main areas of asset cover are :

Asset Category	Amount insured
Buildings	£180K
Street Furniture	£33K
Playground	£62K
Other surfaces	£92K

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 considered the risk assessment at the Full Council meeting on 11 April 2023 (minute 239190). I have reviewed the risk assessment and it covers risks I would expect to see at a Council of this size. I would like to see back up and annual testing of computer data added to the risk register. However, the Council has met obligations in this area for 23-24.

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All computer data is backed up once a week at present and stored offsite. The Council is in the process of moving to Office 365 in the next few weeks. This will ensure that computer data is backed up on an ongoing basis, and can be accessed readily in case of computer failure. This addresses a point raised by the previous internal auditor.

It is a requirement of the NALC Practitioners' Guide that all Councillors should have official parish council email addresses:

“5.205. All authorities except parish meetings must now have an official website. To comply with GDPR, councils should provide official email accounts for their councillors as well as for their clerk and other officers.”

I note from a review of the Council website that this is not in place at Cold Ash PC. This should be rectified in the next 6 months.

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 24-25 budget setting process is underway. FGP committee will review a first draft budget at the meeting in November, with a timetable of meetings 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 Council meetings. This is confirmed in minutes – eg minute 239302 September 2023. I reviewed the report produced for the September meeting. It is not clear how this links to the bank reconciliation document, without detailed review of individual transactions posted to the budget monitoring report. As stated previously, this matter should be addressed by implementing a new finance system.

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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Final Audit

Reserves at 31 March 2024 were £79,103 (22-23 £81,729).

The Council held the following earmarked reserves at 31.3.24

Earmarked Reserves	£ 31.3.24
3rd Party Funding Southend project	2,335.25
Cricket Square refurb	282.24
Tennis Court Refurb	3379.00
Elections	3525.00
CIL	40574.28
Grit Bins	2940.00
War Memorial Maint Fund	600.00
Burial Ground	1987.16
Ash Die Back	3530.14
Prjects	0.00
Total	59,153.07

General reserves at year end were £19,950. This represents 30% of the 24-25 precept, which is at the lower end of recommended levels set out in the NALC Practitioners' Guide. The Council must make efforts to improve the general reserve balance, this is needed to funded unexpected costs or cash flow issues caused by late payment of income due. This can be achieved by:

- Increasing precept
- Reviewing current reserve balances and reallocating to general reserve
- Reviewing projects and other costs in the budget.

The budget and precept for 24-25 were reviewed and approved at the Full Council meeting on 16 January 2024 (minutes 239403). A precept of £66,000 was set. A detailed budget has been prepared and is approved as an appendix to the minutes. I confirmed the 24-25 budget is loaded into the Scribe accounting system, ready for budget monitoring in the new financial year.

The Clerk confirmed budget monitoring reports, on the old cashbook system have been presented on a monthly basis in 23-24.

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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.

Final Audit

Precept per box 2 to the accounts was £50,000 (22-23 £51,000). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £62,169 (22-23 £33,974).

I reviewed income credits from year end recreated cashbook. Again, extended testing was necessary to validate entries in the cashbook. I tested income credits amounting to £45.7K, or 73% of non- precept income.

For transactions selected I was able to agree income in the accounts back to bank statement entry. From there I looked to review remittance advice from funding sources, or VAT returns. I was not able to locate the following:

- CIL funding – remittance advice from West Berks BC,
- Grant funding – 2 remittance notes from Good Exchange grant funder.

The Clerk is seeking to obtain this documentation. However, it is essential that the Clerk is the named contact for all grant applications at the Council, to ensure essential financial information is sent to the Council office and stored in financial records.

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

Interim Audit

The Council holds a petty cash balance of £150, used to for a small number of cash transactions each financial year. I suggest that the council should cease using petty cash now the council has a debit card.

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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.

Interim and Final Audits

Staff costs per box 4 to the accounts were £23,405 (22-23 £19,519).

The process of the clerk's salary is outsourced to Autella Payroll Services. I checked the payment to the 2 clerks for September 2023. I agreed payment as recorded on the payment listing back to payslips for both officers. From these payslips, I was able to agree gross pay back to approved rates of pay:

- To contract for the new clerk
- To minute approving rate of pay for the retiring clerk

At the final audit I confirmed that box 4 to the accounts only included costs relating to the employment of staff, as required by regulations – the reconstructed cashbook only recorded salary payments, pension and payroll taxation. This is correct.

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

Final Audit

Fixed Assets per box 9 to the accounts were £287,912 (22-23 £261,135)

The figure in the accounts has been agreed to the fixed asset register. The asset register correctly accounts for all assets at cost. This follows accounting rules set out in the Practitioners' Guide. The Clerk provided details of changes to the asset register in 23-24 as follows

- Assets added to asset register £27K – mainly new equipment at Hermitage Road - added at cost
- Disposals - £0.5 – basketball hoop

There is a £593 difference between the asset register and the accounts balance. This should be rectified and written off before the asset register is transferred on to Scribe.

I understand that many of the fixed assets are installed on charity land and therefore may belong to the Recreation Ground Charity. I make recommendations in this area in section 0.

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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. However as set out in section A above, this cannot be considered as a proper bank reconciliation, as the Council does not maintain a cashbook for either the current or savings accounts.

In the absence of a cashbook that can be readily reconciled to bank accounts, I am not able to confirm that the Council is currently meeting this control objective.

Final Audit

Cash per box 8 to the accounts was £79,103 (22-23 £81,729)

As set out in section A above, the Clerk prepared an basic cashbook retrospectively, based on bank statements for the 23-24 financial year, to make up for shortcomings in the Council's existing financial records. I have checked arithmetic within the cashbook and confirmed it is correct, and that the closing cashbook balance can be reconciled to the year end bank statements.

However, given concerns raised at my interim audit, I am not able to sign off that the council has met the requirements of this control objective. I anticipate that the implementation of the Scribe system will rectify this issue. The Scribe bank reconciliation should be prepared each month, and reviewed by councillors at the monthly council meeting.

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. A variance analysis has been prepared for external audit.

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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 2022-23 accounts were set as follows

Inspection - Key date	22-23 Actual
Accounts approved at Full Council	13 June Full Council
Date Inspection Notice Issued and how published	Not clear on notice
Inspection period begins	14 June
Inspection period ends	25 July
Correct length	Yes

I have 2 recommendations. The Council should ensure that the inspection notice is dated so that it can be confirmed it has been issued in line with regulatory requirements.

There is also scope to improve the way in which the Council approves the AGAR at Full Council. Separate minutes should record each of the following, in the order set out below :

- Internal Audit report – report considered and matters arising addressed via action plan:
- Annual Governance Statement – each control objective should be considered. A short report should be produced setting out how the Council meets each control objective :
- Accounting Statements should then be approved and this approval minuted.

This format should be followed for the 23-24 AGAR. However, I am able to sign off that the Council has met the requirements of this control objective.

N: Publication requirements 2022 AGAR

The 2022-23 Accounts and Annual Governance Statements have been published on the Council website , alongside the external audit certificate.

The external audit certificate is dated 12 September. The Conclusion of Audit certificate is also published, dated 18 September 2023, before the statutory deadline of 30 September. The external audit certificate was reported to the 10 October meeting of Council.

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The Council received a qualified audit opinion last year, due to issues around accounting for the “Poors Allotments and Recreation Ground Charity – this is followed up in section O below. The Council met publishing requirements.

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

The Council is the sole trustee of the Poors Allotments and Recreation Ground Charities (Charity 300138). The previous internal auditor reported in 22-23 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. The Council must ensure that the charity is run as a separate entity and accounted for as such. This will require

- The charity to have its own bank account
- All charity income and expenditure to be recorded on a separate ledger and separate accounts produced
- The charity to have separate meetings from the Parish Council, and these should be minuted.

Final Audit

Testing at my final audit identified further complications relating the Recreation Ground Charity

- The Council asset register contains assets that have been funded by the Council, but are located on Recreation Ground Land
- The Council has reclaimed VAT in 23-24 on assets that have been installed on Recreation Ground Land. It is not clear whether the Council can reclaim VAT on these purchases, as it would appear that the Council is not the owner of these assets (they are installed on the Recreation Ground)

The Council must move forward with resolving the issue of the charities. Initial contact has been made with the County Association legal consultant. This must be followed up, and the matter of asset ownership and the VAT reclaimed by the Council should be considered by legal and VAT experts.

As indicated at my interim audit I indicated that I would not be able to sign off that the Council has met the requirements of this control objective, , as it has not met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.

The Council should mark box 9 on the Annual Governance Statement as “NO”.

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I attach my invoice for your consideration together with the internal audit report from the AGAR. I have charged the Council for an additional 3 hours work plus travel costs due to the extra work required to complete the audit. 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
<p>The Council uses a variety of spreadsheets to record transactions and to report to Council. These are:</p> <ul style="list-style-type: none"> - receipts schedule, - cheque payment schedules, - a payments against budget schedule - and a bank reconciliation. <p>The process is complex and the system lacks a basic cashbook that can be readily reconciled to bank statements.</p>	<p>The Council should look to install an accounting system for the 24-25 financial year.</p>	<p>Scribe now installed for 23-24</p>
<p>The Council should reconstruct cashbooks for the current and savings accounts for the 23-24 financial year.</p>	<p>These should be completed on a month by month basis, and reconciled to the bank statements as each month is completed. The Clerk has commenced this work</p>	<p>This was required to compile 23-24 accounts</p>
<p>Payments are made to the suppliers, either by cheque or by telephone banking. The council should be making payments by internet banking.</p>	<p>I recommend that the payment system is reviewed and a process put in place where payments are set up by the clerk and authorised by one or two councils on line. This may require the financial regulations to be reviewed.</p>	<p>Payment by internet banking now in place</p>
<p>I have reviewed the risk assessment and it covers risks I would expect to see at a Council of this size</p>	<p>I would like to see back up and annual testing of computer data added to the risk register</p>	<p>Noted for 24-25 risk assessment</p>
<p>I reviewed the budget monitoring report produced for the September meeting. It is not clear how this links to</p>	<p>As stated previously, this matter should be addressed</p>	<p>Scribe in place for 24-25</p>

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the bank reconciliation document.	by implementing a new finance system.	
The bank reconciliation process is not operating properly, as there is no cashbook in place.	This should be addressed by the implementation of the new finance system.	Scribe in place for 24-25
Inspection Notice - AGAR	The Council should ensure that the inspection notice is dated so that it can be confirmed it has been issued in line with regulatory requirements.	To be implemented as part of year end process
There is also scope to improve the way in which the Council approves the AGAR at Full Council. Accounting Statements should then be approved and this approval minuted. This format should be followed for the 23-24 AGAR.	Separate minutes should record each of the following, in the order set out below : <ul style="list-style-type: none"> - Internal Audit report - Annual Governance Statement - Accounting Statements This format should be followed for the 23-24 AGAR.	To be implemented as part of year end process
The previous internal auditor reported in 22-23 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. The charity to have separate meetings from the Parish	The Council must ensure that the charity is run as a separate entity and accounted for as such. This will require <ul style="list-style-type: none"> - The charity to have its own bank account - All charity income and expenditure to be recorded on a separate ledger and separate accounts produced 	Still outstanding, initial contact made with County Association

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<p>Council, and these should be minuted.</p>	<p>- The charity to have separate meetings from the Parish Council, and these should be minuted.</p>	
<p>It is a requirement of the NALC Practitioners' Guide that all Councillors should have official parish council email addresses: "5.205. All authorities except parish meetings must now have an official website. To comply with GDPR, councils should provide official email accounts for their councillors as well as for their clerk and other officers."</p>	<p>I note from a review of the Council website that this is not in place at Cold Ash PC. This should be rectified in the next 6 months.</p>	<p>To be reviewed in 24-25</p>
<p>The Council holds a petty cash balance of £150, used to for a small number of cash transactions each financial year.</p>	<p>I suggest that the council should cease using petty cash now the council has a debit card.</p>	<p>To be reviewed in 24-25</p>
<p>The 2022-23 Accounts and Annual Governance Statements were not published on the Council website at the time of my audit. This must be corrected as soon as possible.</p>	<p>This must be corrected as soon as possible.</p>	<p>Now actioned</p>

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Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
One payment of £2275 was paid to a supplier on the basis of an email of costs to a volunteer. This should not have been paid. .	All suppliers should be required to submit an invoice to the Clerk, failure to do this should mean non-payment	
General reserves at year end were £19,950. This represents 30% of the 24-25 precept, which is at the lower end of recommended levels set out in the NALC Practitioners' Guide.	The Council must make efforts to improve the general reserve balance, this is needed to funded unexpected costs or cash flow issues caused by late payment of income due. This can be achieved by: <ul style="list-style-type: none"> - Increasing precept - Reviewing current reserve balances and reallocating to general reserve - Reviewing projects and other costs in the budget 	
I was not able to locate the following: <ul style="list-style-type: none"> - CIL funding – remittance advice from West Berks BC, - Grant funding – 2 remittance notes from Good Exchange grant funder. 	The Clerk is seeking to obtain this documentation. However, it is essential that the Clerk is the named contact for all grant applications at the Council, to ensure essential financial information is sent to the Council office and stored in financial records.	
I anticipate that the implementation of the Scribe system will rectify this issue.	The Scribe bank reconciliation should be prepared each month, and reviewed by councillors at the monthly council meeting.	
Testing at my final audit identified further complications relating the Recreation Ground Charity	The Council must move forward with resolving the issue of the charities. Initial contact has been made with	

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<ul style="list-style-type: none"> - The Council asset register contains assets that have been funded by the Council, but are located on Recreation Ground Land - The Council has reclaimed VAT in 23-24 on assets that have been installed on Recreation Ground Land. It is not clear whether the Council can reclaim VAT on these purchases, as it would appear that the Council is not the owner of these assets (they are installed on the Recreation Ground) 	<p>the County Association legal consultant. This must be followed up, and the matter of asset ownership and the VAT reclaimed by the Council should be considered by legal and VAT experts.</p>	
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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
K	Exemption from limited assurance review	Council had limited assurance review in 22-23