

# April Skies

## Accounting

Iain Lynch  
Town Clerk

Farnham Town Council

9 January 2025

Dear Iain

### **Farnham Town Council - Interim Audit 24-25**

Following the interim audit completed on 18 December, I attach my report for consideration by the Council. This was the first of three 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 24-25 audit opinion
- Follow up previous recommendations
- Testing of expenditure first 8 months of financial year
- Testing of income – first 8 months of financial year
- Risk management and insurance
- Budget monitoring
- Arrangements for inspection of accounts
- Bank reconciliations.
- Council acting as charity trustee

The Council continues to operate a satisfactory system of financial control. A number of recommendations have been identified, these are at Appendix A.

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 councillors 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.

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### **A: Books of Account**

#### **First Interim Audit**

The Council uses the RBS Omega accounting system to report and record the financial transactions of the Council. This is a well-established accounting system specifically designed to be used in the town and parish council sector. A review of the cashbook shows that all data fields are being entered and supporting documentation is easily located, from references recorded on the general ledger. Accounting records and all reconciliations tested were up to date at the time of the audit.

I have tested the brought forward balances in the accounting system against the audited prior year annual return. These agreed:

Opening balance sheet 24-25 (on accounting system)	- £2,155,565
Box 7 Audited 23-24 accounts	- £2,155,565

I confirmed that the Council's VAT returns were up to date, with the most recent claim for the 3 months to 30 September 2024 submitted to HMRC on 26 November 2024. I checked that balances in the return could be agreed to schedules produced by the accounting system. VAT reclaimed was £15,401. This has been checked in to the Council's bank account, received on 28 November.

The Council received a clear audit certificate from the external auditors in 23-24, so there is nothing to take forward to the current accounting year.

### **B: Financial Regulations & Payments**

#### **First Interim Audit**

##### **Governance**

Financial Regulations and Standing Orders were last reviewed and approved at the Full Council meeting in March 2023 – minute C101/22. Financial regulations are based on the older template provided by NALC and are thus compliant with sector best practice. Financial Regulations are next due to be reviewed in 2025, the Council should ensure that the new NALC template regulations are adopted at this review.

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### **Expenditure and payments to suppliers**

The Council has a clear procedure for making payments to third parties. A payment run is processed each Wednesday by the Council's Bookkeeper, who collates invoices due for payment. These invoices are matched to purchase orders that have been authorised by the relevant budget holder, and countersigned by the Town Clerk.

The invoice is then entered on to the purchase ledger by the Bookkeeper, and is marked as ready for payment. A BACS run is produced by the accounting system, this is checked and loaded into the Council's bank account, where payments sit ready for authorisation by the appointed councillors.

Any urgent payments required are set up by the Bookkeeper on receipt of properly authorised payment instructions. These are set up at bank by the bookkeeper, and authorised by 2 bank signatory councillors at bank. At each meeting of the Finance Working Group, details of all payments made are made available for inspection by councillors.

This is a robust system, compliant with Financial Regulations and with evidence of separation of duties within the payment process.

I selected a sample of 12 expenditure transactions from the cashbook, and I was able to confirm for all transactions that:

- Transactions could be agreed back to a VAT invoice
- Purchase order was on file, authorised by the Town Clerk and budget holder. For payments above £10K a councillor signature was also viewed
- VAT accounting correct
- Expenditure appropriate for the Council
- For internal bank transfers recorded on the cash book, I checked debits and credits on relevant bank statements.

Payments made by direct debit were checked to a schedule approved at the Full Council meeting in April 2024.

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My transaction testing included a payment of £30K made to Farnham BID on 20 June 2024. I understand that this is a loan, made to provide working capital to Farnham BID in advance of the receipt of levy income from Waverley. I have reviewed the approval process and repayments relating to this loan, and have identified the following matters:

- I was unable to locate a Full Council minute recording the resolution to make the loan of £30K to the BID, although there is evidence that this transaction was considered at various working group meetings. Given the value and nature of the transaction, this should have been approved at a Full Council meeting. I recommend that retrospective approval is recorded at the next Council meeting. Going forward, novel transactions of this nature must be considered at Full Council before payment is made.
- I note that the loan from BID should have been repaid by now. The loan agreement sets out repayments of £15K due on 1<sup>st</sup> June and 1<sup>st</sup> August 2024. Nothing has been repaid to date, so the repayment from BID is now overdue. Given that the loan was made for start-up working capital, and that the BID is now in receipt of levy income, I am concerned that this loan has not yet been repaid. This must be followed up as a matter of urgency, and Farnham BID should be required to repay the £30K in full immediately. Council should be kept up to date in this matter.

### **C: Risk Management & Insurance**

#### **First Interim Audit**

The Council has a risk management strategy in place and monitors and reviews risk on an ongoing basis. Worknest were due to complete their review before Christmas. This is due to be considered at Full Council in January. I will review the risk assessment at my next audit.

The Council is insured by Zurich Municipal, on a standard local authority policy. I reviewed the Council's insurance schedule. The policy was in date, with an expiry date of 29 April 2025. 8 buildings are insured, with an insurance value of £4.68 million. Other assets insured include Christmas lights at £83K, bus stops at £113K and CCTV at £117K.

Fidelity insurance cover is set at £5million. This has been increased since my last audit and is sufficient given cash holdings at the Council.

The Clerk confirmed that Council IT data is backed up nightly on to servers at the IT contractor. A restore of backed up data, needed due to an IT outage, has been actioned since my last visit, all key data was restored as required.

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### **D. Budget, Precept & Reserves**

#### **First Interim Audit**

The Council was in the process of finalising the budgets for 25-26 at the time of my audit. Working Groups have examined budget options, and the draft budget was due to be considered by the Strategy and Resources Working Group then Full Council in December. The precept will be confirmed at the January meeting. I am satisfied that precepting authority deadlines will be met, I will review the approved budget and precept at my next audit.

Budget monitoring continues to occur on a quarterly basis, as required by financial regulations. The September reports were reported to the October 24<sup>th</sup> Strategy and Resources meeting, so financial reporting is timely. I reviewed the budget monitoring report. At the end of period 6 expenditure amounted to around 50% of budget, and income was ahead of budget.

The following reports are produced each quarter:

- Trial Balance
- Income and expenditure report
- Debtors outstanding
- Statement of investments

Agenda papers, and minutes demonstrate proper review of the budget monitoring report by councillors.

I will review reserves at my year end audit.

### **E: Income**

#### **First Interim Audit**

I selected a sample of income transactions from the cashbook for the first 8 months of the financial year. For all transactions sampled, I was able to confirm the following:

- Cashbook transaction agreed to schedule of deposits received
- Cashbook transaction checked to receipt at bank
- Highest value item agreed to invoice
- Invoice agreed to relevant schedule of fees and charges or other supporting documentation
- Events invoices agreed to relevant income sources
- VAT accounted for correctly

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My sample covered burial fees, food festival, lease income and events income. I also tested 1 CIL receipt from WBC. I am satisfied that the Council is billing accurately and collecting income across all income streams tested.

I have reviewed the Council's debtors ledger. No issues were identified on the sundry debts sales ledger. Allotment income is now also recorded on the sales ledger. There is one minor issue. Debts are currently being recorded for vacant plots. This is not correct, debts should only be raised where there is a tenant for an allotment. The ledger should be reviewed and all debts relating to vacant plots removed.

The Council has started to use a Square payment machine to collect sales income, notably at the Literary Festival, and has recently purchased a stand-alone machine to replace the previous machine that had to link to a mobile phone. I have checked the machine, and it is not possible to access the change bank account function without a password, so I am content that all monies collected using this machine will be banked in the Council bank account. I recommend the following:

- Town Clerk should ensure that processes for the operation of the Square machine should be documented. This should set out who is the administrator for the system, and who is responsible for setting up products on the system;
- Back up administrator should be set up

### **E. Petty Cash**

#### **First Interim Audit**

I confirmed that the petty cash has been checked. The Bookkeeper counted petty cash on 28.11.24, cash counted was reconciled to the accounting system and the petty cash log. The count has been reviewed and signed off by the accountant, petty cash stood at £1878 at the time of the count.

### **F. Payroll**

To be reviewed at my next audit

### **H. Assets and Investments**

Year-end test

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## **I: Bank Reconciliations**

### **First Interim Audit**

The current account is reviewed twice a week by the Bookkeeper, and transactions are matched off against the cashbook, as they are recorded in the Council's bank account. This is a strong control against fraud and error and ensures all income records are kept up to date. Formal reconciliation is compiled promptly at each month end, by the Bookkeeper, prior to review by the Accountant.

This system is compliant with the requirement of financial regulations. There is a good separation of duties, with the accounts maintained and reconciled by officers with no signatory powers, and reporting of balances to councillors.

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At 30 November 2024, the Council held the following bank and investment balances. Accounts have been reconciled by the Finance Officer, and I have checked all balances on the reconciliations back to bank statements and to the accounting system bank reconciliation reports.

Account	Balance at 30 November 2024	Reconciliation review by Internal Audit
Current	701,788	Reconciliation checked and agreed to accounting system and bank. Reconciliation signed by 2 councillors
Money Maker investment 1	250,000	Checked to contract note
CCLA investment Account	1400000	To be checked at year end , quarterly statements issued by bank
Cambridge and Counties Deposit Account	259,601	Reconciliation checked and agreed to accounting system and bank. Reconciliation signed by 2 councillors
Nationwide	107,796	Checked to march 31 statement , annual statements issued by bank
Mayors Charity Account	454	Reconciliation checked and agreed to accounting system and bank. Reconciliation signed by 2 councillors
BOOM	15000	To be checked at year end
Money Maker investment 2	200000	Checked to contract note
Money Maker investment 3	300000	Checked to contract note
Money Maker investment 4	100000	Checked to contract note

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I reviewed the bank reconciliation file, councillor review of bank reconciliations is not up to date. The last reconciliations reviewed were for July 2024, and second councillor review was not completed until December 7th . The review of bank reconciliations by a councillor is meaningless as a check against fraud and error unless it is completed on a timely basis, and I therefore recommend that this is completed within 30 days of each review period.

The Council has an investment policy in place, as required by regulations. I will review this at my next audit.

## **J. Year-end accounts**

Year end test

**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**

## **Interim Audit**

As a larger Council, with income / expenditure in excess of £200K, Farnham is required to follow the 2015 Transparency Code. I reviewed the following items at my interim audit:

- Expenditure – The link for 24-25 expenditure data was not working at the time of my audit. This should be checked and the link repaired

I understand the Council is about to start work on a new website, and I would recommend that an improved transparency page is set up as the website is developed. An example can be seen at Crowborough Town Council.

## **M: Exercise of Public Rights - Inspection of Accounts**

Inspection periods for 23-24 AGAR were set as follows -

<b>Inspection - Key date</b>	<b>23-24 Actual</b>
<b>Accounts approved at Full Council</b>	25 April
<b>Date of Announcement</b>	11 June
<b>Inspection period begins</b>	13 June
<b>Inspection period ends</b>	24 July
<b>Correct length</b>	Yes

I can confirm that regulations were followed and that the Council can therefore sign off that it has met control objective 4 on the annual governance statement – inspection rights.

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### **N: Publication requirements 23-24 AGAR**

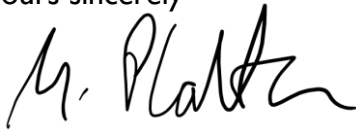
The Council received a clear audit opinion from the external auditors for 23-24. This was dated 30<sup>th</sup> August, and the Council has published the complete audited AGAR on the website, as required by regulations. The Conclusion of Audit notice was published on the Council website on 5 September, before the regulatory deadline of 30 September. The external audit certificate was reported to the September meetings of Strategy and Resources Committee and Full Council. I am satisfied regulatory requirements have been met in this area.

### **0. Trusteeship**

The Council is trustee of the Farnham School of Science and Arts, also known as the Farnham South Street Trust, Charity Number 1146152. A separate company is operated on the Omega Accounting system, I can therefore confirm separate books of account are maintained for the Charity. The Trust holds separate meetings, these are minuted and minutes and agenda published on the Town Council website - meeting last held on 24 October 2024. The 23-24 submission of accounts and annual return has not yet been completed, the Town Clerk confirmed the independent examination is in hand and the submission will be completed before the end of January .

I would like to thank you and Sarah for your assistance with the audit. I look forward to meeting you again for the second interim and year end audits later this year.

Yours sincerely



Mike Platten CPFA

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## Appendix A

### Points Forward – Action Plan - Interim Audit 24-5

Matter Arising	Recommendation	Council Response
I was unable to locate a Full Council minute recording the resolution to make the loan of £30K to the BID, although there is evidence that this transaction was considered at various working group meetings.	Given the value and nature of the transaction, this should have been approved at a Council meeting. I recommend that retrospective approval is recorded at the next Council meeting. Going forward, novel transactions of this nature must be considered at Full Council before payment is made.	<i>Agreed. Report to Council January 2025. This matter was agreed prior to allocation but the minuting omission was an unfortunate oversight now corrected.</i>
I note that the loan from BID should have been repaid by now. The loan agreement sets out repayments of £15K due on 1 <sup>st</sup> June and 1 <sup>st</sup> August 2024. Nothing has been repaid to date, so the repayment from BID is now overdue.	Given that the loan was made for start-up working capital, and that the BID is now in receipt of levy income, I am concerned that this loan has not yet been repaid. This must be followed up as a matter of urgency, and Farnham BID should be required to repay the £30K in full immediately. Council should be kept up to date in this matter.	<i>Agreed. Repayment was requested in October and chased. Repayment expected in January 2025.</i>
Allotment income is now also recorded on the sales ledger. There is one minor issue. Debts are currently being recorded for vacant plots.	This is not correct, debts should only be raised where there is a tenant for an allotment. The ledger should be reviewed and all debts relating to vacant plots removed	<i>Agreed. Now corrected.</i>
The Council has started to use a Square payment machine to collect sales	I recommend the following: - Town Clerk should ensure that processes for	<i>Agreed and in hand.</i>

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<p>income, notably at the Literary Festival,</p>	<p>the operation of the Square machine should be documented. This should set out who is the administrator for the system, and who is responsible for setting up products on the system</p> <ul style="list-style-type: none"> <li>- Back up administrator should be set up</li> </ul>	
<p>I reviewed the bank reconciliation file, councillor review of bank reconciliations is not up to date. The last reconciliations reviewed were for July 2024, and second councillor review was not completed until December 7th .</p>	<p>The review of bank reconciliations by a councillor is meaningless as a check against fraud and error unless it is completed on a timely basis, and I therefore recommend that this is completed within 30 days of each review period.</p>	<p><i>Bank reconciliations are presented monthly to Strategy &amp; Resources. The Councillor paper check will be revisited to ensure a timely review.</i></p>
<p>Website reporting - Expenditure. – The link for 24-25 expenditure data was not working at the time of my audit.</p>	<p>This should be checked and the link repaired</p>	<p><i>Agreed</i></p>
<p>New website – transparency page</p>	<p>I would recommend that an improved transparency page is set up as the website is developed. An example can be seen at Crowborough Town Council.</p>	<p><i>Will be incorporated in the new website.</i></p>

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