

Appendix 1

Do the Numbers Limited

30th April 2024

Melanie Stephens, Clerk
Fair Oak and Horton Heath Parish Council

Dear Melanie,

Subject: Review of matters arising from Internal Audit for 31 March 2024

Following my visits to the office today and earlier in the year, please find below the list of matters arising. The records and systems of the council are in very good order.

The internal audit was carried out in accordance with the requirements of the [Audit and Accounts Regulations 2015](#) and the guidance and instruction in the [Practitioners Guide 2024](#)

Test	Matter arising	Recommended Action
A	<i>Appropriate accounting records have been properly kept throughout the financial year</i>	
	The records of the council comply	with this test
B	<i>This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for</i>	
	The records of the council comply	with this test
C	<i>This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these</i>	
	The records of the council comply	with this test
D	<i>The budget resulted from an adequate budgetary process, progress against the budget was regularly monitored, the reserves were appropriate</i>	
Developer funded Earmarked reserves	The council holds £342,464 in EMRs at the year end of which 74% are s106 or CiL funds and thus cannot be rolled into the general reserve.	Developer funding and funded projects have been a significant part of the council's activities over the past 5 and through the next 5 years.
General reserve	As at the end of the year the general reserve of the council stood at only £731 which is significantly less than the three months of revenue expenditure minimum in the guidance. It is also less than prudent.	No unbudgeted activity should take place during 2023/24 unless it is funded by received developer monies. At budget setting, the council will need to take steps to bring its general reserve back into a safe position to cover contingencies.
Underlying activity	Significant developer funded projects have distorted the analytical review of the council for several years. Revenue activities appear to amount to around £130k in box 3 and £250k in box 6.	The general reserve of the council based on core activities should not be less than £200k once the next year budget has been set.
Overdrawn reserve	Negative earmarked reserves are not permitted.	The overspend on the cafe project needs to be rolled back into general reserve to zero the amounts shown.
E	<i>Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for</i>	
	The records of the council comply	with this test
F	<i>Petty cash payments were properly supported by receipts, all petty cash was approved and VAT appropriately accounted for</i>	

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Director: Eleanor S Greene

	Not tested at this visit	
G	<i>Salaries to employees and allowances to members we paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied</i>	
Staff changes	Every new employee should be clearly minuted – start date, role, hours, pension entitlement – to allow verification of the cost of payroll. <i>(also raised last two years)</i>	Members approve the pay grades in a confidential paper but a transparent updated staffing record should be published.
H	<i>Asset and investment registers were complete and accurate and properly maintained</i>	
Asset register	It does not appear that the asset register is linked to the accounting record. It is therefore difficult to tell if the register (and insurance) are up to date.	The council should look at integrating the Asset Register into the accounts and ensure that the updating procedure is carried out at least quarterly.
I	<i>Periodic Bank reconciliations were carried out during the year</i>	
Bank statements	It appears that all bank statement checks are carried out by a limited number of members.	All councillors in rotation should check the bank statement balances.
J	<i>Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail and debtors and creditors recorded.</i>	
	The records of the council comply	with this test
K	<i>Certified Exempt in prior year</i>	
	Not applicable to this council	
L	<i>Transparency Code</i>	
	The records of the council comply	with this test
M	<i>Public Rights</i>	
Public Rights	The dates of public rights were not stated in the minutes.	Please ensure that this is done when the 2024 AGAR is approved
Members DPI forms	Not all of the members have correctly included their home address on the DPI form and some have not marked 'none' where appropriate.	Please ensure that all of the forms are updated at the Annual meeting and that EBC then comply with their legal obligations to publish them.
N	<i>Publication of prior year AGAR</i>	
	The records of the council comply	with this test
O	<i>Trust funds</i>	
	Not applicable to this council	
P	<i>Borrowing</i>	
	Not applicable to this council	

Please find enclosed my invoice for the balance of the agreed fee.
If either you or your members have any queries, please do not hesitate to contact me.

Regards,

Eleanor S Greene

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