

Caroline Harris

Rustington Parish Council

17 June 2025

Dear Caroline

Rustington Parish Council

Final Internal Audit 24-25

The internal audit for the 24-25 financial year is now complete. I am pleased to report that I have signed off the internal audit section of the Annual Governance and Accountability Return (AGAR) for with no comments.

The Council will need to mark box 7 on the Annual Governance Statement for 24-25 as “No”, because of recommendations raised by external audit. Whilst I believe the external audit reporting to be excessive, this must be done to avoid further comment. Details are set out in section N of this 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 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 24-5. 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.

The audit was carried out in two stages. The interim audit was carried out on 20 January , with the year end audit completed when I visited the Council on 17 June.

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

A: Books of Account

Interim Audit

The Council uses the Sage 50 system for accounting and payroll. I have tested the brought forward balances on Sage at 1.4.24 against the audited prior year annual return and can confirm these have been brought forward correctly. Box 7 on the audited accounts for 23-24 was £523,846. This agrees to the period 0 balance sheet on Sage at 1.4.24.

Reconciliations tested were up to date at the time of the audit. The cashbook was also up to date, and referencing on Sage was sufficiently detailed to enable me to locate supporting documentation.

The Council's most recent VAT return was for the three months to the end of September 2024. VAT of £8,603 was reclaimed, this was paid in to the Council's bank account on 12 November 2024. I checked that balances in the return could be agreed to schedules produced from the accounting system. VAT outstanding was agreed to the balance sheet at 30.9.24, so I am satisfied that the VAT control account is fairly stated. The next VAT claim, for the period of October to December 2024 is being worked on at present and is due to be submitted by mid-February.

Final Audit

The accounting statements have been agreed back to year end reports produced from the Sage accounting system. Agreement was to the following reports from Sage:

- Income and expenditure – profit and loss report
- Balances carried forward – balance sheet
- Cash and short term investments - Cash balances on balance sheet.

Comparative figures have been agreed to audited accounts for 23-24 published on the Council website.

I confirmed that the VAT return for period January to March 25 has been completed and submitted to HMRC. This has a SAGE generated submitted date stamp of 29 April. VAT of £10,152 was reclaimed, and paid into the Council's bank account by HMRC on 6 May. VAT reclaimed has been agreed to a schedule of transactions on the Sage VAT report for quarter 4 24-25. There is a small imbalance on the VAT control account. VAT reclaimed at 31.3.25 was £10,152, the Sage balance sheet is showing a balance of £10,174 for VAT owed to the Council, the difference is £22. This should be reviewed and cleared.

The Council reviewed my interim audit report at the March meeting of Full Council, as part of the annual internal audit review – minute 75/25. Minutes show proper consideration of points raised.

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B: Financial Regulations & Payments **Interim Audit**

Financial Regulations and Standing Orders were last reviewed at Governance and Audit Committee in February 2022. The Rustington documents are based on NALC templates. (Minute 40/22 for standing orders, Minute 41/22 for Financial Regulations.). Financial Regulations are now out of date, and do not incorporate changes made to the NALC template in April 2024. The Council has identified inconsistencies between NALC template standing orders and financial regulations, and has contacted the County Association. This should be followed up, and the financial regulations review completed before the end of the financial year.

The Council has a well ordered process for making payments to suppliers. Invoices are sent into the office, these are collated with purchase orders and goods received notes by the finance team. Invoices are checked by the RFO, then loaded on to Sage and coded to an appropriate nominal ledger code. Twice a month a payment batch report is prepared on Sage. This is sent to the Chairman / Vice Chairman and Clerk for approval to pay. Once the batch is approved, the payments are loaded on to the Council's bank account by the RFO, payments are then approved at bank by a second signatory (Clerk or councillor) . Payments are reported to Council meetings and this is minuted.

I selected a sample of 10 transactions from the cashbook for the period April to December 2024. I was able to confirm for all transactions that:

- Transactions could be agreed back to invoice
- Clerk and councillor had certified the invoice as ready for payment
- Invoice included in a payment run document, payment set up at bank by RFO and authorised by Clerk or councillor, in line with financial regulation requirements
- VAT accounting correct
- Expenditure appropriate for the Council

I note that additional councillor signatories are have now been set up, four councillors plus Clerk have been set up to ensure adequate contingency arrangements are in place in case of absence. 2 signatories are required to authorise all payments.

The Council is still working on proposals for the Woodland Centre Project. I remind the Council to follow financial regulations closely when letting contracts. This includes advertising all contracts over £25K on the Contract Finder website.

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £ 581,463 up from £515,091 in 23-24 .

The Council has reviewed Financial Regulations and Standing Orders since my last audit, these were approved at the Full Council meeting in March 2025 (minutes 76 and 77). I have reviewed the Financial Regulations, these are published on the Council website, and can confirm these are now up to date with NALC templates.

I tested 6 further payments from months 8-12 and confirmed the following:

- Payment per cash book agreed to invoice
- Expenditure appropriate for this council
- Invoice signed off by Clerk and 1 councillor on face of invoice
- Payment list approved by 2 councillors by email and with physical signature.
- VAT accounting correct

The RFO confirmed that payments are approved at bank by one of 2 signatories (Clerk and one councillor). The RFO confirmed that 4 councillors are now set up to authorise payments – this addresses a recommendation I raised in my 23-24 audit.

C: Risk Management & Insurance

Interim Audit

I will review the risk assessment at my year end audit. I remind the Council to ensure that the risk assessment is discussed at a meeting of Full Council before 31 March and that this review is minuted.

The Council is insured with Hiscox, arranged by Gallaghers on a standard local government policy . I have seen the insurance policy; insurance was in date “ continuous cover from 1.10.24 until the policy is cancelled”.

Asset cover appeared consistent with the asset register. 6 buildings are insured, at an insurance value of £5.9 million . Asset coverage is set out below.

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April Skies

Accounting

Item description	Excess	Amount Insured
Total Buildings	£250	£5,883,846
Gates and fences	£250	£35,108
Fixed outside equipment	£250	£56,562
Street furniture	£250	£366,998
War memorials	£250	£55,620
Playground equipment	£250	£190,083
Sports surfaces	£250	£27,944
Other surfaces	£250	£0
Rent receivable	£250	£0

Buildings were last revalued for insurance purposes in 2023. This is in date per the terms of the insurance policy.

The Council has separate cyber insurance with Coalition. This was in place at the time of my audit, with renewal due in November 2025.

I confirmed that back up of data on the Sage system is taken around twice a week . This is stored in the Y drive on the Council network. The IT provider has confirmed in a recent email that this drive is included in the Council's data back-up routines, and that the back up is tested every three months.

I confirmed that the most recent internal audit report was properly considered by Councillors at the June meeting of Full Council and an appropriate minute recorded (minute 160/24).

Final Audit

The risk register and risk management strategy was considered at the March meeting of Full Council (minute 80/25). I have reviewed the risk assessment and it appears sufficient for a council of this size. There is evidence of update in year.

D. Budget, Precept & Reserves

Interim Audit

The Council is the process of finalising the budget and precept for 25-26. Finance Committee approved the budget in December, with Full Council approval due at meeting on 27 January. I will review the formal approval at my year end audit.

I have confirmed that regular budget monitoring reports are issued to all councillors and to Finance Committee. I have reviewed minutes and a monthly report was delivered to the November 24 meeting of the committee. A detailed report is produced from the accounting system, together with a short explanation of any variances within the budget report. I am satisfied budget monitoring is occurring regularly as required by Financial Regulations.

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Final Audit

Reserves at 31 March 2025 were £606,600 (23-24 £523,846).

Year- end earmarked reserve balances are set out below:

Earmarked Reserves:

Grant Funding (AirS)	2,470.00
Chaucery Memorial	1,560.71
Building Improvement Fund - W.Centre	8,391.97
CIL Funding	4,179.68
Legal Fees (WPSF) - New Lease	500.00
Website Upgrade	500.00
Opportunity Purchases Fund	1,515.50
Equipment Renewal Reserve	4,153.61
Museum Reserve	2,826.76
Capital Reserve Projects (1)	100,000.00
Capital Reserve Projects (2)	123,909.17
Section 106 Funding Account	21,583.34

Total Earmarked Reserves	£271,591
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This leaves a general reserve of £335K. This represents 42% of precept, which is at the mid- point of recommended levels set out in the NALC Practitioners' Guide. (minimum recommended general reserve balance is 25% of net revenue expenditure). I again note that the Council has very small earmarked reserves for asset maintenance, given the size and age of the asset base at this Council, from which the Council received significant income streams. The Council should ensure that adequate reserves are set aside for maintenance of the extensive asset base , this should be considered carefully before setting the 26-27 precept.

The Council has finalised the budget setting process for the 25-26 financial year. The precept was approved at the Full Council meeting on 27 January 2025 – minute **10/24 b)** following recommendations made by the F&GP Committee. A precept of £786,000 was set. The final budget for 25-26 was approved at the March meeting of Full Council (minute 78/25).

I note that the Council has submitted a PWLB loan application for the capital works at Woodland Centre . I remind the Council to:

- Ensure financial regulations are followed when letting contracts for works on this project
- Finalise VAT advice to ensure VAT recovery is maximised
- Ensure adequate contingency is included in the budget for the project

E: Income

Interim Audit

The Council obtains income from a number of sources beyond the annual precept. These include:

- Room Hire and Functions - Woodland Centre / Youth Centre / Samuel Wickens Centre
- Sponsored flower beds
- Allotments
- Sports pitches

I confirmed fees and charges for 24-25 had been properly approved at meetings of the Council. Invoices for hall bookings are generated from the Hallmaster system. This is a diary based system, which is uploaded periodically into Sage – invoices are produced from this data. I tested a sample of credits recorded on the ledger for the first 9 months of the financial year. I tested

- sage entry to invoice raised
- checked invoice was raised at the correct rate, as approved by Council
- checked invoice to booking period as recorded on Hallmaster
- I also tested a bank interest payment from CCLA. There was a small difference between the amount credited from CCLA and the value of the credit recorded on the monthly statement – the RFO has contacted CCLA about this.

I reviewed the Council's debtors ledger. At the time of my audit debts outstanding were £77K. The balance was high due to recent invoices raised to Store Property and Arun DC. Debts over 60 days were £2,099, one debt with Rustington Sports and Social is 99% of this balance. This is being followed up by the RFO. The sundry debtors ledger is well managed.

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Final Audit

Precept per box 2 to the accounts was £786,000 (23-24 £759,000). This has been agreed to third party documentation provided by central government.

Income per box 3 to the accounts was £287,927 (23-24 £188,423).

I reviewed a four further income credits from the final four months of the financial year, amounting , mainly room hire income (other areas tested at the interim audit). I tested income per sage back to invoice, and from there to room booking on the booking system. A credit for sponsorship income was agreed to a contract for floral display sponsorship,

The sales ledger at 31.3.25 was reviewed. Balances outstanding were £15K, no debt older than 30 days, so the sales ledger has been brought up to date since my last audit.

F. Petty Cash

Petty cash is held at the office , museum and information centre. Books and receipts are brought into the office every month. Year-end balance was £220. There is evidence of a year-end count on the petty cash books. Count was completed by the Finance Officer, reviewed and signed by the RFO and a councillor - councillor review checked to petty cash book.

G. Payroll

Final Audit

Staff costs per box 4 to the accounts were £409,710 (23-24 £394,414).

Payroll is processed in house using the Sage payroll application. The Finance Officer sets up the payroll each month for members of staff, and posts changes such as approved overtime to the payroll. Payroll is then run by the RFO and reviewed by the Clerk. Once this has been approved, payments are set up on the bank account. Payroll is reviewed by councillor signatories who sign off the payroll and approve the bank payments.

I reviewed the February 2025 payroll. The nominal ledger posting for February was agreed to payroll month end outputs from Sage. Individual staff payments were agreed to Sage payroll documentation, and authorisation by 2 councillors was confirmed to the payroll file

Pension payments and HMRC payments were agreed from bank back to SAGE payroll reports. I confirmed submission of payroll data to HMRC by checking output from Government Gateway.

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H. Assets and Investments

Final Audit

Fixed assets per box 9 to the accounts were £ 3,126,587 (23-24 £3,086,790) – increase of £39,797

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, with sufficient detail to locate all assets listed.

The RFO supplied a schedule of movements on the fixed asset register to explain the year on year movement. Additions have been added to the asset register at cost and a schedule of deleted items has been provided.

- Additions to the asset register - £106K – the main items are expenditure on the MUGA - £47K / stage lighting system - £10K / outdoor fitness equipment £30K – all added to the asset register at cost, as required by regulations.
- Deletions from the asset register - £67K. Christmas lights with an asset register value of £24K were scrapped alongside old outdoor fitness equipment, with an asset register value of £29K.

The RFO has provided a clear audit trail for changes to the asset register in 24-25 and these have been accounted for in line with regulations.

I: Bank Reconciliations

Interim Audit

Reconciliations for all bank accounts are carried out regularly and in accordance with regulations. This is clearly evidenced in the Council's bank reconciliation file and within minutes of the Finance Committee. The December 2024 bank reconciliation was tested in detail. I confirmed the following.

- The bank statements and the bank reconciliation had been signed off as checked by the reviewing councillor, Councillor Warren
- All balances on the bank reconciliation were agreed back to bank statements / cashbooks
- Arithmetic checked for accuracy
- I confirmed that the bank reconciliations are reported to councillors in the monthly accounts for payment report.

The Council has an investment policy in place, as required for any council with cash and investment assets in excess of £100K. This has not been reviewed since 2020. The policy should be reviewed annually, as set out in section 4 of the Investment Policy. This should be actioned before the end of the financial year, and the Council should look to improve returns on cash holdings where possible.

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Final Audit

Borrowings per box 10 to the accounts were £nil (23-24 £nil)

Cash per box 8 to the accounts was £634,092 (23-24 £587,440)

I reviewed the bank reconciliation file. I was able to note that the bank reconciliation has continued to be completed promptly throughout the financial year, and that there is evidence of councillor review of the bank reconciliation at least quarterly, as required by Financial Regulations.

I reperformed the year end bank reconciliation. I agreed all balances in the bank reconciliation back to the accounting system reports and to bank statements. The year end bank reconciliation was found to be accurate and evidence of review on both the reconciliation and the bank statements was provided by a councillor.

Investment policy review has been completed since my last audit. (March meeting Full Council). Council resolved to retain cash in current accounts, pending expenditure on capital works at Woodland Centre.

J. Year-end accounts

Rustington PC has produced accounts on an accruals basis, this is required as income / expenditure is above £200k. A reconciliation between Box 7-8 of the accounts has been prepared, for external audit review, and creditor and debtor listings support this reconciliation. There is also a variance analysis in place for review by external audit.

L: Exercise of Public Rights - Inspection of Accounts

Inspection periods for 23-24 AGAR were set as follows

Inspection - Key date	23-24 Actual
Accounts approved at Full Council	20 June
Date Inspection Notice Issued and how published	25 June – website
Inspection period begins	26 June
Inspection period ends	6 August
Correct length	Yes 30 working days

All regulatory requirements were met.

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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 meets the requirement of the Code by publishing information on the Council website, mainly on the Financial Transparency page. I checked that the following information was up to date at the time of the interim audit:

- Payments data – published to end of March 2025 - monthly finance report
- CIL Report for 23/24 – published on the website

N: Publication requirements 23-4 AGAR

The Council has published the Accounts, Annual Governance Statement and the external audit certificate on the Council website. The Conclusion of Audit Certificate was published 24 September 2024 before the statutory deadline of 30 September. The external auditors issued their audit certificate on 29 August. The Council has met its obligations in this area. The Council was informed of the outcome of the audit at the meeting on 23 September 2024(minute 226/24).

The external auditors qualified the audit certificate – see below

Box 11a was not initially completed on Section 2 Accounting Statements when the form was submitted. The form was resubmitted with a 'No' answer to Box 11a which was in line with our expectation. Whilst this was amended with no further concerns, this issue was also raised on the prior year's External Audit Report and hence this issue was not appropriately actioned. The Council therefore should have answered 'No' to Assertion 7 of Section 1 of the Annual Governance and Accountability Return which relates to taking appropriate action on matters reported from internal and external audit.

I consider this to be an excessive response from the external auditor, for a minor omission by the Council. However, given that the omission occurred in 24-25, for completeness the Council should mark assertion 7 as “NO” in 24-25

0. Trusteeship

The Council disclosed that it was not a sole trustee for a trust fund in the 23-24 AGAR. The RFO confirms this is still the case.

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April Skies

Accounting

I attach my invoice for your consideration together with the internal audit report from the AGAR. 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

Matters Arising Interim Audit

Matter Arising	Recommendation	Council Response
Financial Regulations are now out of date, and do not incorporate changes made to the NALC template in April 2024. The Council has identified inconsistencies between NALC template standing orders and financial regulations, and has contacted the County Association.	This should be followed up, and the Financial Regulations review completed before the end of the financial year.	Reviewed and amended at March 25 Full Council
I also tested a bank interest payment from CCLA. There was a small difference between the amount credited from CCLA and the value of the credit recorded on the monthly statement	The RFO has contacted CCLA about this.	Balanced at year end audit
The Council has an investment policy in place, as required for any council with cash and investment assets in excess of £100K. This has not been reviewed since 2020.	The policy should be reviewed annually, as set out in section 4 of the Investment Policy. This should be actioned before the end of the financial year, and the Council should look to improve returns on cash holdings where possible.	Reviewed and amended at March 25 Full Council

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Appendix A

Matters Arising Final Audit

Matter Arising	Recommendation	Council Response
I again note that the Council has very small earmarked reserves for asset maintenance, given the size and age of the asset base at this Council, from which the Council received significant income streams.	The Council should ensure that adequate reserves are set aside for maintenance of the extensive asset base , this should be considered carefully before setting the 26-27 precept.	Agreed - Arrangements for an Inspection of the Council's buildings to be arranged in order that an earmarked reserve can be considered before the next precept is set.
I note that the Council has submitted a PWLB loan application for the capital works at Woodland Centre .	I remind the Council to: <ul style="list-style-type: none"> - Ensure financial regulations are followed when letting contracts for works on this project - Finalise VAT advice to ensure VAT recovery is maximised - Ensure adequate contingency is included in the budget for the project 	Noted - Finance Manager already in contact with Parkinson Partnerships for advice.

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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 23-24
0	Trusteeship	No Trusts

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