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## Signature Details

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Our Ref: MARK/WIT002

Mrs D Siddle  
Withyham Parish Council  
The Old Station  
Station Road  
Groombridge  
East Sussex  
TN3 9RD

24<sup>th</sup> April 2018

Dear Debbie

**Re: Withyham Parish Council  
Internal Audit Year Ended 31<sup>st</sup> March 2018**

Following completion of our interim internal audit on the 28<sup>th</sup> November and our final audit on the 24<sup>th</sup> April 2018, we enclose our report for your kind attention and presentation to the Council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date. Where appropriate recommendations for future action are shown in bold text.

**Interim Audit – Summary Findings**

At the interim visit we reviewed and performed tests on the following areas:

- Review of the Financial Regulations & Standing orders
- Review of the Risk Assessments
- Review of the Budgeting process
- Proper Bookkeeping – review of the use of the accounts package.
- Review of salaries
- Review of fixed asset register

It is our opinion that the systems and internal procedures at Withyham Parish Council are very well established, regulated and followed. The clerk is very experienced and ensures the council follows best practice regulations and has over time adapted and changed the internal procedures as regulations and technologies have changed to maintain compliance.

It is clear the council takes governance, policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose and are a model of good practice. Finally, I would like to thank Debbie for her assistance and hard work.

**Final Audit – Summary Findings**

I completed the following work as part of the final audit.

- Review of annual accounts & annual return

- Review of bank reconciliation
- Testing of income and expenditure, second half of financial year
- Review of salaries
- Review of fixed asset register
- Review of information for external auditor.

The accounts have been correctly prepared on the receipts and payments basis using the RBS accounting package. The annual return contained the correct comparative figures and opening balances and cast correctly. The accounting entries were supported by underlying documentation and workings.

I am of the opinion that the annual accounts and annual return are ready to be signed off by council and the external auditor. Accordingly, I have signed off the annual return.

The results of my interim and final audits can be seen below. I have set out the results of my testing against each of the control objectives set out in the internal audit section of the annual return.

#### **A. Books of Account (INTERIM AUDIT)**

The Council continues to use RBS as a day to day accounting package, this is a tried and tested industry specific package. The system is used at least weekly to report and record the financial transactions of the Council and a review of the cashbook shows that all data fields are being entered, the hard copy reports are easy to read and logically filed. Each month the clerk prints off and files in hard copy, bank reconciliation, income and expenditure versus budget, & cashbooks, payments lists and other reports as fit. This is a clear and easy to follow system. My audit testing showed that supporting documentation could be located from records recorded on RBS. I make no recommendation to change in this system

I tested opening balances as at 1.4.17 and confirmed they could be agreed back to the audited accounts for 2016-17. I confirmed the council makes 2 VAT reclaims per annum, the last reclaim was for the period ended 30<sup>th</sup> September 2017, the refund was received November. The council is not behind on its general bookkeeping.

I note that the Council is not required by law to follow the 2015 Transparency Code, I have recommended to the Clerk that it would be sensible to carry out a brief audit against the requirements of the Code to ensure that the Council is fully compliant for when the law changes and to this end I have signposted Crowborough Town Council as a good site to review. **The council now has a transparency page on the web site – this point is covered.**

As council is aware the data protection act is changing with the introduction of GDPR next year. It was noted the Council does not have common email addresses yet – but this is being considered by the clerk. A common email system such as [cllr.name@withyham](mailto:cllr.name@withyham)..... is recommended to give a natural segregation so it is clear beyond doubt in what capacity a councillor is acting, gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

#### **B. Financial Regulations & Payments(INTERIM & FINAL AUDIT)**

##### **Interim Audit**

I confirmed by sample testing that Councillors have all signed “Acceptance of Office” forms and register of members interests, in line with regulations.

Standing orders are based on the NALC model and the council has readopted then in May 2017. The set on the web site should be replaced as soon as possible as these are out of date. **These have been replaced – this is now covered.**

Financial regulations are based on the 2014 NALC model and are dated May 2017. The set on the web site should be replaced as soon as possible as these are out of date. **These have been replaced – this is now covered.**

The regulations being based on the NALC model contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council. It was noted that the tender limit per financial regulations is out of sync with standing orders these must be aligned. **This has been amended. This point has been covered.**

Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation and this is signed off, in accordance with regulations.

Financial Regulation 5 deals with authorisation of physical payments. Invoices are authorised and a random sample of payments was selected for September/October 2017. There were no errors and all agreed to the payments list and the minutes. In respect of payment authorisations, the council authorises the payments list which details payments to be made in the following days. The minutes of the full council or finance committee contain a dated payments list and the corresponding minute does describe the attachment. In reviewing consecutive payments lists no cut off errors were found.

**I recommend an annual list of direct debits is drawn up in accordance with regulation 5.6. This is ongoing at the final audit and will be taken to the next statutory meeting in May 2018.**

Financial regulation 6 deals with making payments. The council makes payments by cheque bacs, standing orders, prepaid card and direct debit. Cheque stubs have been initialled twice, bacs payments are made on a single access user system. The council is in the process of setting up dual access/authorisation system with the bank. I recommend this be completed before year end. **This is set up; therefore this point is now covered.**

Financial regulation 7 deals with salaries. Salaries are authorised by council in the usual manner and reported as single line items each month.

Council may want to consider the text of financial regulation 7.4 and amend the text shown in the cashbook to say “employee 1” rather than by name. **This has been completed – this point is now covered.**

In the main council is following its own regulations, I therefore make no significant recommendation to change.

#### **Final Audit**

Total other payments £88,087 (2017: £67,181).

The council has the GPC and therefore there is no S.137 expenditure. In the year the council has had increased expenditure due to Balls Green Play Area (£11,465) and tree surgery at £2,700. The clerk has drawn up a detailed list of variances for submission to the external auditor.

I have reviewed the nominal ledger for the year to ensure no set off of income and expenditure – there were no errors.

#### **C. Risk Management & Insurance (INTERIM AUDIT)**

The Council undertakes a full risk assessment that covers operational and financial risks. This was reviewed and agreed by council in September 2016. I recommend this is reviewed before 31<sup>st</sup> March 2018 in accordance with financial regulation 17.1. **This was resolved on the 12<sup>th</sup> February council meeting.**

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Money and asset cover appear adequate.

#### **D. Budget, Precept & Reserves (INTERIM & FINAL AUDIT)**

### **Interim Audit**

I confirmed that the 2018-19 budget and precept setting process was well underway at the time of our interim audit, with initial budget meetings complete. The 2018-19 budget and precept will be approved by the end of January 2018, so all precepting authority deadlines will be met.

The clerk was able to demonstrate that budget monitoring reporting to members is completed on a monthly basis. Reporting is comprehensive, and is minuted appropriately. I reviewed the budget outturn report for October 2017 and noted that all expenditure had been booked against approved budget heads and that overall the budget had not been exceeded.

As at 31<sup>st</sup> October 2017 total reportable income was £111,812 (Annual Budget £108,552), the additional income is due to grants receipts. I would recommend that for future years VAT refunds are budgeted for. Expenditure £77,122 (annual budget £223,428). There is circa £100k budgeted to be spent from earmarked reserves for road safety, footpaths and play areas which when accounted for makes expenditure broadly in line with budget expectation. We discussed in general, the presentation of actual versus budget and concluded that where budgeted spend for a earmarked reserve is not going to occur before the end of the council year this should not be reported on the Council Detail report as this skews the reporting, but rather on a separate reserves working. Ideally the total budgeted spend should be the same as that used for the precept application which will then correlate to the actual spend that will be reported on the annual return. I recommend that the budget is altered on the report to this effect. A separate earmarked reserve report is now being used. **This point is cleared.**

At the end of October, the council had £193k in bank balances, by the end of the year this will reduce to circa £160k of which £110k is earmarked leaving a projected general fund balance of circa £50K. At a precept level of £102k, rule of thumb calculations would indicate that a general reserves balance of circa £51k as adjusted for local conditions would be reasonable. A general reserve of circa £50k is appropriate for a council of this size.

### **Final Audit**

Reserves Carried Forward £153,689 (2017: £156,000)

The council has £95,800 of earmarked reserves leaving £57,889 of general reserves. At a precept level of £102k this is entirely reasonable for a council of this size.

The earmarked reserves do not appear to be generalised in nature and the clerk has full notes explaining each and every reserve.

I am of the opinion that reserves are properly stated on the annual return.

## **E. Income (INTERIM & FINAL AUDIT)**

### **Interim Audit**

Both tranches of precept have been received. I recommend that in accordance with regulation 9.3 council review its annual charges and post this information to its website. Annual charges were reviewed in February council. **This point is now cleared.**

### **Final Audit**

Precept income £102,178 (2017: £98,636)

Other income £17,562 (2017: £20,706)

The precept income was tested to remittance advice notes and bank statements, these were properly received and banked. There are no errors to report.

Other income comprises, rent, VAT refunds, interest and misc receipts (grants/funding). I have reviewed the nominal ledger for lettings and was able to follow this to remittance advice notes or other documentation. There were no errors.

I am of the opinion that income is properly recorded on the annual return.

#### **F. Petty cash**

No Petty Cash.

#### **G. Payroll (INTERIM & FINAL AUDIT)**

##### **Interim Audit**

The council uses an external firm to calculate the tax and national insurance. The council has fulfilled its obligations in respect of auto-enrolment and uses a money purchase scheme.

Employees are paid with reference with NJC scales for consistency purposes. The signed minutes show that council approves changes to wages.

##### **Final Audit**

Salaries £33,964 (2017: £28,810)

The amounts shown on the annual return, were reconcilable to the payroll records, there were no errors. All staff have signed contracts of employment.

Staff costs have increased by more than 15% year on year due to pensions, employment of community warden, together with overtime relating to parish plan.

I am of the opinion that salaries are correctly stated on the annual return.

#### **H. Assets and investments (INTERIM & FINAL AUDIT)**

##### **Interim Audit**

The Council has a detailed fixed asset register in place. Assets are correctly stated at historic or proxy cost.

##### **Final Audit**

Fixed Assets and Investments £127,280 (2017: £122,205)

The fixed asset register agreed to the annual return, the register lists the assets, their cost or proxy cost together with insurance values. Assets are correctly stated at historic cost. In the year the council purchased a swing for £4,817, together with other items.

The clerk has informed that a fixed asset stock take will be undertaken over the course of the next year.

I am of the opinion that fixed assets are properly shown on the annual return.

#### **I. Bank reconciliations (INTERIM & FINAL AUDIT)**

##### **Interim Audit**

The Council has two bank accounts all held with HSBC. I have tested that the bank accounts are being reconciled promptly at the end of each month. I also re-performed the September bank reconciliation and cashbook control. I found no error in the reconciliation.

#### **Final Audit**

Bank & Cash Balances £153,689 (2017: £156,000)

The council has a reconciled bank as at the 31<sup>st</sup> March 2018 and this has been signed off and will be taken to the May council meeting for reporting on. There are three aged cheques none of which are old. The reconciliation contains no errors and is agreed to the physical bank statements.

I am of the opinion that bank and cash balances are properly shown on the annual return.

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

The year-end accounts have been correctly prepared on the receipts and payments basis, there is no requirement for a box 7 & 8 reconciliation.

The annual return correctly casts and cross casts and the comparatives have been correctly copied over from the 2016/17 annual return.

The clerk has completed the variance analysis in detail for boxes 3, 4, & box 6 only.

The council has made provision within its schedule of meetings to sign off the annual governance statement and accounts in time to display the notice of electors rights.

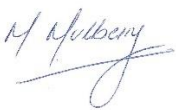
I am of the opinion the accounts and annual return will be ready for submission to the external auditor.

#### **K. Trusteeship**

No trusts.

Should you have any queries please do not hesitate to contact me, finally I enclose a fee note for your kind attention.

Kind regards  
Yours sincerely



**Mark Mulberry**