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Our Ref: MARK/WIT002

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

26th November 2018

Dear Debbie

Re: Withyham Parish Council
Internal Audit Year Ended 31st March 2019

Following completion of our interim internal audit on the 26th November 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 and summarised in the tables at the end of the report.**

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 members to support and inform them when they considering the authority's approval of the annual governance statement.

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 well established, and followed. The clerk & RFO are very experienced and ensure the council follows best practice regulations and have overseen changes to 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 fit for purpose. I would like to thank Debbie & her team for their assistance and whilst my report contains recommendations to change these are not indicative of any failings, but rather are pointers to improving upon an already well ordered system.

A. BOOKS OF ACCOUNT (INTERIM & FINAL AUDIT)

The Council continues to use RBS as a day to day accounting package, this is a tried and tested industry specific package and I make no recommendation to change. The system is used daily to report on and record the financial transactions of that of the Council. There are three users with their own individual logons.

Clerk to the Parish Council – oversight budgeting

Assistant Clerk to the Parish Council – day to day input

Administration Assistant - day to day input

Every month, various reports are printed and filed in hard copy, these include but are not limited to; Income and expenditure against budget, cashbooks, bank reconciliations and other reports as fit. This is a clear and easy to follow system 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. My audit testing showed that supporting documentation could be easily located from records and I therefore make no recommendation to change in this system.

I tested opening balances as at 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18.

The Council is not VAT registered and the last VAT reclaim was for the period ended 30th September 2018. This also indicates that the council is up to date with its postings on the financial package. There is no indication of a requirement to register for VAT.

Overall, I have the impression that the accounting systems are well ordered and routinely maintained and as such I make no recommendation to change. I am of the opinion that the control assertion of “Appropriate accounting records have been properly kept throughout the financial year” has been met.

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT)

Interim Audit

Check the publication & minuting of the prior year audited AGAR and notice of conclusion of audit.

External auditors report was not qualified in 2017/18 and the notice of conclusion has been posted to the council website and reported to council. **It was noted however, the Notice of conclusion of audit was posted with annual return, I would also suggest it would be clearer to separate the annual return and post along with prior years.**

Confirm that the Council is compliant with the relevant transparency code.

I note that the Council is required by law to follow the 2015 Transparency Code, a review of the web site has shown the code is being followed.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that Councillors sign “Acceptance of Office” forms, register of members interests, and acceptance to receive information by electronic means, in line with regulations.

Confirm that the Council is compliant with the GDPR.

As council is aware of GDPR. **I could not locate the council’s privacy statement or privacy policy on the web site – these can be obtained from the SSALC office.**

Confirm that the Council meets regularly throughout the year

The council has the following committees:

- Full Council; meets circa monthly
- Planning – twice monthly
- Finance & Administration; bi monthly
- Rights of Way; meets quarterly

- Road Safety; meets quarterly
- Air traffic; meets quarterly

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks, each standing committee has spending powers as detailed in the scheme of delegation.

Check that agendas for meetings are published giving 3 clear days' notice.

The RFO was able to demonstrate that at least 3 clear days' notice is given on both web site and hard copy agendas. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting.

Check the draft minutes of the last meeting(s) are on the council's website

Draft and final minutes are uploaded to the council website. These can be agreed to the signed copy retained in the office.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months

The standing orders are based on the NALC model and these were readopted in July 2018 after changes.

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations.

The Financial regulations are based on the NALC model and we readopted in July 2018 after changes. 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.

Check that the council's Financial Regulations are being routinely followed

Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts and this is being signed and minuted in accordance with regulations.

The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is as listed below.

- £50,000 + Tender Process
- £2,000 - £50,000 3 quotations are required.
- £100 - £2,000 – strive to get 3 estimates
- 0 - £100 – power to spend

Financial regulation 4 deals with budgetary control and authority to spend. The council has thresholds in place at which authorisations to spend must be obtained. **It is noted the threshold to obtain council approval is set at £500. I would recommend the deminimis limit as noted above is aligned from £100.00 to £500.00**

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations.

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit, debit card and online banking. Cheques must be signed by two individuals.

I discussed the purchasing system with the RFO vis-à-vis financial regulations 4, 5 & 6 and ascertained that the regulations are being followed at a local level as described below:

1. Regular and recurring expenditure (rent, rates, wages, light & heat, contractual spend etc.) is known and authorised in advance (budget setting or tender process). These are, in the main, paid via direct debit, standing order or on-line banking.
2. An ad hoc expenditure requirement is identified and noted to the clerk/RFO – this can be from a number of sources and depending on the financial amount will be discussed in advance with council, committee or chair. If required, this is approved in advance by council committee before the expenditure incurred. My audit testing showed via the minutes that there is where appropriate discussion of expenditure before the orders are placed.
3. The order is made via the office – councillors are not allowed or permitted to place amend or vary orders.
4. The supplier invoice when received, is reviewed and annotated by the clerk and or RFO. My audit testing showed that supplier invoices are annotated.
5. A payments list is produced on excel. The assistant clerk will pre-write the cheques (if being paid by cheque) at the same time.
6. The payments list, invoice and cheques are taken to council for counter signature to authorise payment and enter into the minutes.
7. Payments set up on the on-line banking system, using the signed payments list as a guide. The on-line system is set such that the same individual cannot both set up and authorise the same transaction. There is a natural segregation of duties at the bank level.
8. The assistant clerk batch posts the supplier invoices & payments to the financial reporting package.

I would recommend the council introduce a control to link to show the payments being authorised are the payments on the payments list, this can be as simple as an initial/cross tick from payments list to bacs payment list or other such document.

Financial regulation 7 deals with approval and authorisation of salaries, the minutes and files show evidence of authorisation of changes and of wages generally.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.86 per elector.

The council has no S.137 expenditure.

Confirm that checks of the accounts are made by a councillor.

The system noted above details internal review takes place and councillor, committee and council level. I am under no doubt that council properly approves expenditure.

I am of the opinion the council is following its own regulations and that any changes to financial regulations are to be considered minor and no indicative of errors in the system. I am therefore of the opinion that the control assertion “This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for”, has been met.

C. RISK MANAGEMENT & INSURANCE (INTERIM & FINAL AUDIT)

Interim Audit

The council has a detailed risk assessment document. The document is very comprehensive and covers not only trips and hazards, but also financial and management risks. This document is entirely fit for purpose and I make no recommendation to change.

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.

I am of the opinion that the control objective of "This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.", has been met

D. BUDGET, PRECEPT & RESERVES (INTERIM & FINAL AUDIT)

Interim Audit

I confirmed that the 2019/20 budget was underway at the time of the audit.

At the audit date the council had income £120,655 (Budget £116,551) – additional CIL monies of £5k received and expenditure of £77,799 (Budget £16,551). There is planned use of earmarked reserves.

The Council was able to demonstrate that budget monitoring reporting to members is comprehensive, and is appropriately minuted.

I am of the opinion that the control objective of "The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.", has been met.

E. INCOME (INTERIM & FINAL AUDIT)

Interim Audit

The full precept has been received in full at the interim date, this was verified to remittance advice note and bank statements and cashbook. Annual charges are reviewed regularly.

I am of the opinion that the control objective of "Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.", has been met.

F. Petty cash

No Petty Cash.

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

The council uses external firm to calculate the tax and national insurance. The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS.

Employees are paid with reference with NJC scales for consistency purposes. I tested the tax deduction for a full time employee – there were no errors.

Monthly PAYE and NI deductions and returns have been submitted online and on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review. The PAYE and NI liability for October 2018 was paid on time.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken. Casual labour payments are correctly recorded via the payroll. Councillors were paid allowances via the payroll.

I am of the opinion that the control object of "Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.", has been met.

H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)

The council has a detailed fixed asset register in place and there have been no significant changes since the year end. The register contains details of historic cost and is reconcilable to the insurance schedule. Assets are correctly stated at historic or proxy cost.

I am of the opinion that the control objective of "Asset and investments registers were complete and accurate and properly maintained.", has been met.

I. BANK & CASH

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

None of the accounts are long term investments and as such do not need to be disclosed in box 9 of the AGAR.

I am of the opinion that the control objective of "Periodic and year-end bank account reconciliations were properly carried out.", has been met.

J. YEAR END ACCOUNTS

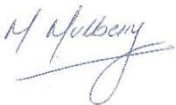
Year End

K. Trusteeship

No trusts.

Should you have any queries please do not hesitate to contact me, attention.

Kind regards
Yours sincerely



Mark Mulberry

Interim Audit - Points Forward

Audit Point	Audit Findings	Council comments
Accounts on website	It was noted however, the Notice of conclusion of audit was posted with AGAR, I would also suggest it would be clearer to separate the AGAR and post along with prior years.	
Privacy Statement	I could not locate the council's privacy statement or privacy policy on the web site – these can be obtained from the SSALC office.	
Financial Regulations	It is noted the threshold to obtain council approval is set at £500. I would recommend alignment of contract tender limits in para 11.	
Payment Authorisation	I would recommend the council introduce a control to link to show the physical payments being authorised are the payments on the payments list, this can be as simple as an initial/cross tick from payments list to bacs payment list or other such document.	