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Our Ref: MARK/WIT002

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

Date 18 November 2019

Dear Debbie

**Re: Withyham Parish Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2020**

Following completion of our interim internal audit on the 18<sup>th</sup> November 2019 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 table 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 and 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 is very experienced and ensures the council follows best practice regulations and has 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 for her assistance and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well ordered system.

## **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 and I make no recommendation to change. The system is used daily to report on and record the financial transactions of the Council. The Clerk is the sole user. In the event of the long term incapacity of the Clerk, it may be prudent to train another staff member to use the system.

I tested opening balances as at 01/04/19 and confirmed they could be agreed back to the audited accounts for 2018/19.

The council is not VAT registered. VAT reclaims are completed on a six monthly basis. The last VAT reclaim was for the period to the end of September 2019. The reclaim was received into the bank account on 28 October. The council is up to date with its postings on the financial package.

My audit testing showed that financial documentation could be easily located from records and overall, I have the impression that the accounting systems are well ordered and routinely maintained and as such I make no recommendation to change.

At the interim audit date, 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 AND PAYMENTS (INTERIM AND FINAL AUDIT)**

### **Interim Audit**

#### *Check the publication and minuting of the prior year audited AGAR and notice of conclusion of audit*

The external auditors report was not qualified in 2018/19. The notice of conclusion of audit and audited AGAR have been posted to the council website and were reported to the Council at the October meeting.

#### *Confirm by sample testing that councillors sign statutory office forms*

I confirmed by sample testing that councillors have signed "Acceptance of Office" forms and Register of Members' Interests, in line with regulations. **It is recommended that these are added to the parish council website in addition to the District Council website.** The councillors have also signed acceptance to receive information by electronic means.

#### *Confirm that the council is compliant with the relevant transparency code*

I note that the council is not required by law to follow the 2015 Local Government Transparency Code, however it is recommended that Councils follow the code to demonstrate their willingness to be open and transparent. A review of the web site shows that the code is being followed through the publication of all of the required information in a separate transparency tab on the website. This methodology is to be commended as it makes accessing the information straightforward.

#### *Confirm that the council is compliant with the GDPR*

The council is aware of GDPR and has undergone training. It was noted the council has introduced common email addresses internally and for councillors, which is recommended because it gives a natural segregation between personal and councillor business, 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. The Clerk has initiated a reminder of councillors' responsibilities under GDPR which is signed annually. The council has appointed an external Data Protection Officer (DPO) and has a Privacy Notice and Data Protection policies on the website.

#### *Confirm that the council meets regularly throughout the year*

The council has the following committees:

- Full Council - meets monthly (except August)
- Finance & Administration - meets every other month
- Planning - meets twice per month
- Road Safety – meets quarterly
- Air Traffic – meet quarterly
- Rights of Way – meets quarterly
- Staff – meets as and when needed

The council has a scheme of delegation and terms of reference for each committee. There is also a Play Area Working Group which reports to council.

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

The Clerk 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. It is noted that the supporting documentation referred to in the agendas is posted to the website for council meetings, with plan to publish the same non-confidential details for all committees. This will be reviewed at the year-end audit.

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

Draft minutes are uploaded to the council website usually within a few days of the meeting, and subsequently replaced with final versions once approved. I would recommend ensuring it is clear which minutes are draft compared to final versions.

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

The Standing Orders are based on the NALC 2018 model and were adopted by Council in May 2019.

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

The Financial Regulations are based on the NALC 2019 model and were adopted by Council in September 2019. 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 minuted in accordance with regulations. These are verified by the Chairman of the Finance and Administration committee at least quarterly. Evidence of this was verified for the October 2019 reconciliation.

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 as below:

- The council for all items over £500 not delegated to a committee or the Clerk/RFO
- A duly delegated committee of the Council for items over £500
- The Clerk, in conjunction with Chairman of council or Chairman of the appropriate committee, for any items below £500 not delegated to a committee or the Clerk/RFO

It was noted that the emergency authorisation level in FR 4.5 is £500. It is recommended that this level is reviewed to ensure it is appropriate in the case of an emergency.

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations. Sample checking of invoices, BACS notifications and payment lists confirm correct processes are being followed.

Financial regulation 6 deals with making payments. The council makes payments by BACS, with some direct debits and the occasional cheque. There is a clear segregation of duties between staff members with regard to BACS payments. Two cheque signatories are required from seven authorised to do so. Council reapproved the use of direct debits at the May 2019 meeting.

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 and does not exceed the annual per elector limit of £8.12 per elector*

The council has the General Power of Competence (GPC), which was minuted at the annual meeting, and does not use section 137.

*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.

At the interim audit date, I am 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 AND INSURANCE (INTERIM AND FINAL AUDIT)**

#### **Interim Audit**

The council has a Risk Management Policy and risk assessment which was last reviewed and adopted by council in April 2019. The council has a valid insurance policy in place, with Public Liability cover of £12 million, Employers Liability of £10 million and a Fidelity Guarantee of £500,000.

### **D. BUDGET, PRECEPT AND RESERVES (INTERIM AND FINAL AUDIT)**

#### **Interim Audit**

I confirmed that the 2020/21 budget and precept setting process is due to start. The Finance & Administration committee reviews the council’s three year budget during the year, and draft budgeting is completed through this committee. The final budget and precept are due to be agreed by committee in December and Full Council in January 2020.

The council has a three year budget plan and are working on updating the business plan.

The Council holds circa £56,000 in general reserves and a further £90,000 in clearly annotated earmarked reserves. General guidance recommends the Council’s general reserve should be circa 50% of precept.

At the interim audit date, the Council had received 101.3% of its budgeted income and spent 58.2% of its budgeted expenditure. This suggests that the budget was accurately set and closely monitored during the year.

At the interim audit date, 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 AND FINAL AUDIT)**

#### **Interim Audit**

Apart from the precept, the council has various streams of income:

- Room letting & associated utilities
- Village Hall income

- Grants
- CIL / s.106

The whole precept has been received and the Council Tax Support Grant (CTSG) has been properly accounted for.

At the interim audit date, 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 (INTERIM AUDIT)**

The council does not have petty cash.

I am of the opinion the control objective of “Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for” has been met.

#### **G. PAYROLL (INTERIM AND FINAL AUDIT)**

##### **Interim Audit**

The council uses an external company to process payroll. Payments are made by the council and approved using the same system. There is a councillor allowances scheme paid six monthly through payroll. All staff members have a signed contract of employment and are all on the NJC scale.

At the interim audit date, 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 AND FINAL AUDIT)**

##### **Interim Audit**

The council has a comprehensive fixed asset register in place. Assets are correctly stated at historic or proxy cost, and includes location and condition information. The asset register was up to date with all relevant assets as at the current financial year end.

At the interim audit date, 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 AND CASH (INTERIM AND FINAL AUDIT)**

##### **Interim Audit**

At the interim audit date the council had a reconciled bank position as at the end of October, which has been signed in accordance with Financial Regulations and reported to Council. I have reviewed the reconciliation and there were no errors.

At the interim audit date, I am of the opinion that bank and cash balances are properly shown on the AGAR and that the control objective of “Periodic and year-end bank account reconciliations were properly carried out” has been met.

#### **J. YEAR END ACCOUNTS (FINAL AUDIT)**

To be tested at year end.

#### **K. TRUSTESHIP (INTERIM AUDIT)**

The council has no trusts.

**L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS (FINAL AUDIT)**

To be tested at year end.

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

Kind regards

Yours sincerely

*Andy Beams*

**Andy Beams**