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Our Ref: MARK/WAR003

Mrs A Brooks
Warnham Parish Council
5 West Way
Slinfold
RH13 0SB

Date 1 May 2020

Dear Ashley

Re: Warnham Parish Council
Internal Audit Year Ended 31st March 2020

Following completion of our interim internal audit on the 3rd December 2019 and final audit on 1st May 2020 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.**

Due to the COVID-19 restrictions in place at the time of the final audit, this was carried out remotely, and I would like to thank Ashley for ensuring all of the requested information was sent through in a timely fashion to allow this process to be completed.

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 Warnham Parish Council are well established and followed. The Clerk is 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 Ashley 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.

Final Audit – Summary Finding

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

- Review of annual accounts and AGAR
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

I am of the opinion that the annual accounts and AGAR are ready to be signed off by council and the external auditor and that the AGAR is a true and fair reflection of the financial transactions of the council for the year ended 31st March 2020. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The council continues to use an Excel spreadsheet as a day to day accounting package. There are approximately 20-30 transactions per month. The council has purchased QuickBooks as an accounting package and will be running this alongside the spreadsheet initially. On a regular basis, the Clerk produces reports including progress against income and expenditure, bank reconciliations and payment lists.

I tested the opening balances for 1 April and confirmed them to the closing balance for 2018/19.

The council is not VAT registered. VAT reclaims are completed on a half yearly basis. As at the interim audit date, the reclaim for the period ending 30 September had not been completed, and **I recommend this is submitted as soon as possible.**

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.

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 qualified in 2018/19. The external auditor reported on the inspection period not being for the correct period, and that the Governance Statement had been incorrectly completed as there were assertions which should have been ticked ‘no’. The notice of conclusion of audit and audited AGAR have been posted to the council website and were reported to the council at the meeting of 22 October 2019.

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. Register of Members’ Interest forms are loaded on to the council website. The councillors have not signed acceptance to receive information by electronic means. **It is recommended this is completed using the following wording ‘As per schedule 12 of the Local Government Act 1972, I give my consent to receive communication 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. A review of the web site shows that the code is being partially followed through the publication of payments lists (with minutes), constitution document and an asset register. Missing information includes a staff organisational chart and pay multiple and **it is recommended that this is implemented, although it is not a statutory requirement.**

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 not yet introduced common email addresses 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. This is due to be discussed by council at a meeting on 3 December 2019.

The council has appointed an external Data Protection Officer (DPO) and has a Privacy Notice and other data protection policies on the website.

Confirm that the council meets regularly throughout the year

The council is set up through a number of committees as below:

- Council – meets nine times per year
- Planning – meets eighteen times per year
- Recreation Advisory Group (reports to council) – meets quarterly
- Finance and Agenda Advisory Group (reports to council) – meets nine times per year
- Playground Working Group (reports to council) – meets ad hoc

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 non-confidential supporting documentation referred to in the agendas is not published on the website. **I remind council it is required to also post any supporting documentation with the agendas as outlined by the Information Commissioner's Office** (page 3 of this link) ico.org.uk/minutesandagendas.pdf

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 week of the meeting, and subsequently replaced with final versions once approved. It is not clear which versions are draft or final, and **I would recommend that this is addressed to provide clarity.**

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 October 2019.

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

The Financial Regulations are based on the NALC 2016 model and were adopted by council in October 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

Bank reconciliations - the council is performing a monthly bank reconciliation, and this is minuted in accordance with regulations. Evidence of this was verified for the October 2019 reconciliation, which was signed as verified by councillors and reported in the minutes of the Finance committee.

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 £5,000
- A duly delegated committee for items over £500
- The Clerk for any items £500

I would recommend that the lower authority level be altered to read ‘The Clerk, *in conjunction with the Chairman of the council or appropriate committee, for any items below £500*’.

It was noted that the emergency authorisation level for the Clerk is £500.

Authorisation of payments - the minutes show authorisation of payments lists in accordance with regulations. Sample checking of invoices and payment lists for October 2019 confirm correct processes are being followed.

Making payments - the council makes payments predominately by BACS with some direct debits and the occasional cheque. Renewal of direct debits was confirmed by council at the November meeting. The council has established an internal control system for approving BACS payments and has a clear segregation of duties. Cheques require the signature of the Clerk and one councillor. Additional signatories are currently being arranged.

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 section 137 expenditure within limits.

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 not indicative of errors in the system.

Final Audit

It was noted that following the recommendations made during the interim audit, non-confidential supporting papers for agendas are now being added to the website, the website has been clearly annotated to show all minutes are draft until approved at the next meeting, and the council’s Financial Regulations have been amended in January 2020 to reflect the suggested change to authority levels.

It is pleasing to see the response to the internal audit reports, showing how seriously the council takes its governance responsibilities in relation to financial matters.

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 in December 2018. This is due for review again shortly.

The council has a valid insurance policy in place, with Public Liability and Employers Liability cover of £10 million, and a Fidelity Guarantee of £150,000. These levels of cover are currently sufficient for a council of this size, although the council should keep the Fidelity Guarantee cover limit under review as balances change over coming years.

Final Audit

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 AND RESERVES (INTERIM AND FINAL AUDIT)

Interim Audit

I confirmed that the 2020/21 budget and precept setting process has begun. A draft proposal has been prepared and will be reviewed at tonight’s council meeting. A further meeting in January 2020 is planned for a final decision, if not made tonight.

The council is also establishing a forecast budget plan for projects covering the period up to May 2023. This will enable the council to monitor its use of reserves and any future section 106 and/or CIL payments received.

The council holds circa £35,000 in general reserves and a further circa £34,000 in a number of specified earmarked reserves. General guidance recommends the council’s general reserve should be circa 50% of precept, adjusted for local conditions, and the level held is therefore appropriate.

At the interim audit date, the council’s year to date position showed expenditure of £44,967 against a budget of £82,278 (55% year to date). This demonstrates that the budget was accurately set and closely monitored during the year.

Final Audit

The council has adopted a policy of keeping 50% of its precept as a general reserve, with any remainder earmarked for specific projects.

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’s only other primary income is through grants and CIL/s.106 money. The whole precept has been received properly accounted for on the accounting system.

Final Audit

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 no petty cash.

G. PAYROLL (INTERIM AND FINAL AUDIT)

Interim Audit

The council uses the PAYE HMRC online tools. Payments are made by the council and approved using the same system. There are no councillor allowances except a chairman’s allowance. All staff members have a signed contract

of employment. The Clerk is on the NJC scale although the litter picker is not. Checks of the HMRC calculations will be completed at the year-end audit.

Final Audit

A review of the accounting records made available remotely confirms the total salary costs as accurately recorded on the AGAR. Detailed checking of PAYE and NI deductions was not possible, and this will be checked at the next audit.

I am of the opinion that salaries are correctly stated on the AGAR and that the control objective 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 fixed asset register in place, although there is an inconsistent methodology used to determine the asset value. All assets should be listed at cost/proxy cost and maintained at that value for the lifetime of the asset. The total asset value is unlikely to equal the value specified in the insurance policy. This will be further reviewed at the year-end.

Final Audit

The asset register was checked, and the total found to match that entered on the AGAR for 2019-20.

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.

Final Audit

At the year-end audit date, the council had a reconciled bank position across all its accounts. There were no unrepresented items as at 31 March 2020.

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)

The year-end accounts have been correctly prepared on the receipts and payments basis, and the AGAR correctly casts and cross casts.

The explanation of variances has been completed with sufficient detail and explanations provided for variances in excess of 15%. At the time of the year-end audit, the AGAR figures presented for checking were as below:

AGAR Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	70,570	58,240	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	63,667	73,217	Confirmed against precept amount received
3	Total other receipts	53,924	28,167	Confirmed against accounting records
4	Staff costs	26,978	25,997	Confirmed against accounting records
5	Loan interest/capital repayments	0	0	Council has no borrowing
6	All other payments	102,943	41,258	Confirmed against accounting records
7	Balances carried forward	58,240	92,369	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	58,240	92,369	No difference as accounts prepared on receipts and payments basis
9	Total fixed assets plus long term investments and assets	204,780	206,680	Total matches asset register
10	Total borrowings	0	0	Council has no borrowing

I am satisfied that the control objective “Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records” has been met.

K. TRUSTEESHIP (INTERIM AUDIT)

The council has no trusts.

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

Due to the Covid 19 outbreak, the statutory deadlines have been changed as follows:

The publication date for final, audited, accounts will move from the 30 September to 30 November 2020 for all local authority bodies. To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of July has been removed. Instead, local authorities must commence the public inspection period on or before the first working day of September 2020.

This means that draft accounts must be approved by 31 August 2020 at the latest. However, they may be approved earlier, and we would encourage councils to do so wherever possible, to help manage overall pressure on audit firms towards the end of the year.

Authorities must publish the dates of their public inspection period, and given the removal of the common inspection period and extension of the overall deadlines for this year, it is recommended that all authorities provide public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2019/20 accounts.

The regulations implementing these measures were laid on 7 April and are due to come into force on 30 April 2020.

The relevant dates as set by Warnham Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	25 June 2019	May 2020 – subject to confirmation
Date Inspection Notice Issued	26 June 2019	To be confirmed
Inspection period begins	1 July 2019	29 June 2020
Inspection period ends	2 August 2019	7 August 2020
Correct length	No	Yes
Common period included?	Yes	Yes
Summary of rights document on website?	Yes	Yes

The requirements of this control objective were not met for 2018-19, and assertion 4 on the annual governance statement can therefore not be signed off by the council.

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

Kind regards

Yours sincerely

Andy Beams

Andy Beams