



## MULBERRY & CO

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Our Ref: MARK/EAR001

Mr L Chater  
Earnley Parish Council  
1 Charlmead  
East Wittering  
Chichester  
West Sussex  
PO20 8DN

23<sup>rd</sup> April 2018

Dear Louise

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

Following completion of our internal audit on the 23<sup>rd</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 underlined text.

**Audit – Summary Findings**

At the 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 annual accounts & annual return
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of fixed assets and investment register

It is our opinion that the systems and internal procedures at Earnley 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 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. I would like to thank the clerk for her hard work during the year and am pleased to say her high standard of work continues; I therefore make no recommendation for change at this stage.

I am of the opinion that the annual accounts and annual return are ready to be signed off by council and the external auditor and that the annual return is a true and fair reflection of the financial transaction of that of the council for the year ended 31<sup>st</sup> March 2018. Accordingly, I have signed off the annual return.

#### **A. Books of account**

The council continues to use excel for recording the day to day transactions of that of the council. On average there are approximately a half dozen transactions per month and the spreadsheets are populated on a monthly basis. The clerk produces a hard copy and electronically a bank reconciliation, a payments list and authorisation list together with bi-monthly budget monitoring.

There have been no reported issues in the past and for recording receipts and payments this is entirely fit for purpose and I see no reason to make any recommendation to change.

#### **B. Financial regulations & payments**

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

The council, in its March 2016 meeting amended the Financial regulations and these will be reviewed in April by the clerk and taken to the May 2018 meeting for adoption and approval. This is in accordance with regulations.

*Check that the council's Financial Regulations are being routinely followed by tracking some sample payments*

I have selected the January 2018 minutes and traced the authorised payments to the invoices and bank statements, noting council authorisation at each stage. The invoices were annotated with bacs or cheque, amount, date of payment and two signatories.

The bacs payments are set up by the clerk on the on-line system and the councillors then authorise the payment on line. The bank system is such that the originator of the transaction cannot authorise the same transaction – there is segregation of duties.

The payment schedule as reported in the minutes is posted to the council website within the supporting papers and minutes to the meeting, this is in accordance with the transparency Act requirements and ensures all payments are made available to the wider public. Where applicable personal information would be redacted.

The council has issued cheques in the year. The stubs have been initialled twice in accordance with regulations.

In respect of invoice and payment authorisation invoices are signed by two councillors and payments have to be authorised by two councillors – this is in accordance with councils own financial regulations.

*Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.57 per elector.* The council has no S.137 expenditure.

*Confirm that checks of the accounts are made by a councillor.* There are reviews of the financial records of that of the council and these are duly reported in the minutes.

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

The council, reviewed and amended Standing orders in May 2016, the clerk is in the process of reviewing them again with a view to taking these to council in May 2018.

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

The council routinely posts up its minutes to its web site within 30 days of the meeting, should changes be required as notified at later meetings the minutes are updated.

*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. This is in accordance with regulations.

*Confirm that the Parish Council is compliant with the Data Protection Act 1998 and that plans are being put in place to comply with GDPR 2018.* The council is aware of the change in regulations and has undergone training. The minutes disclose council discussion of the same. A GDPR policy is in the process of being written. I am of the opinion that the council is taking seriously its obligation to fulfil the requirements of the GDPR.

*Check the publication of councillor's contact details etc*

The website details councillor email and phones numbers, together with register of members interests. Councillor representation to external bodies is detailed by councillor on the website and has been minuted.

I am of the opinion that the council has robust policies and procedures in place and follows these. I make no recommendation to change.

All Other Payments £7,260 (2017: £8,600).

### **C. Risk management & insurance**

The council has a detailed risk assessment document which was reviewed in May 2017. The document is very comprehensive a 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.

All council data is now stored on the cloud and regular backs ups are taken to an external drive stored in the clerks office.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Asset & money cover appears adequate.

### **D. Budget, precept & reserves**

Reserves Carried Forward £53,475 (2017: £10,483)

The council has £45,736 of earmarked reserves of which £40k pertains to the flood alleviation project. The parish council general reserves are £7,740. This is entirely appropriate for a council of this size.

The council has received a grant for the flood project this is in progress and will be completed over the next year or so.

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

I am of the opinion reserves are properly monitored.

### **E. Income**

Precept income £15,209 (2017: £14,810)

Other income £44,605 (2017: £2,477)

The precept income was tested to bank statements, these were properly received and banked. There are no errors to report. Other income comprises, grants, interest, & VAT refund. I have reviewed the cashbook and was able to agree receipts to remittances and bank statements. There were no errors.

The additional income being due to grant receipt for the flood alleviation works.

I am of the opinion that income is properly recorded.

**F. Petty cash**

No petty cash

**G. Payroll**

£8,994 (2017: £8,340)

The council has one employee. The payroll is reconcilable to the annual return. The increase is due to inclusion of expenses previously included under other payments box 6, together with back pay owing.

The clerk has a signed contract of employment. Payroll rates and hours were approved in the July 2017 meeting.

**H. Assets and investments**

Fixed Assets and Investments £2,988 (2017: £2,861 restated)

Loan Interest & Capital £568, (2017: £568)

Total Borrowings £3,148 (2017: £3,629)

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.

The PWLB loan and loan repayments were verified to statements from debt management.

**I. Bank reconciliations**

Bank & Cash Balances £53,475 (2017: £10,483)

At the year-end date the council had a reconciled bank position which will be approved in the May meeting. I have reviewed the reconciliation there were no errors.

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, with no requirement of 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 variance analysis is required for box 3 & 6, together with explanation of high reserves.

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**