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Our Ref: MARK/EAR001

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

Date 15th October 2019

Dear Louise

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

Following completion of our interim internal audit on the 15th October 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 Earnley 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 Louise 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 Excel for recording the day to day transactions of the council. On average there are approximately half a dozen transactions per month. The Clerk produces electronic and hard copies of key documents. My audit testing showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

The council is not VAT registered. VAT refunds are completed annually for year end, with the last reclaim for the period up to April 2019. The council is up to date with its postings.

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. This will be reported to council at the November 2019 meeting.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors sign "Acceptance of Office" forms and Register of Members Interests, in line with regulations. 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 required by law to follow the 2015 Local Government Transparency Code for councils with a turnover not exceeding £25,000. A review of the web site shows that transparency data is easily accessible on the website to comply with the requirements of the code.

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 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 council has appointed an external Data Protection Officer (DPO) and has a Data Subject Access Request, Privacy Notice and IT Security policies on a GDPR tab within the website. These provide detailed information on the council's approach to obtaining, holding and using personal data.

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Full Council - meets every other monthly
- Employment Committee – meets twice per year
- Planning Committee – meets monthly (except August and December)
- Code of Conduct Committee – meets as required
- Complaints Committee – meets as required

Spending powers are with full 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 was noted that the supporting documentation referred to in the agendas is also posted to the website.

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

Draft minutes are typically published within a week of the meeting and final minutes are uploaded to the council website once approved. Draft minutes are clearly labelled as such.

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 (2018 version) and were last reviewed and adopted by council in September 2018.

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

The Financial Regulations are based on the NALC model (2014 version) and were last reviewed and adopted by council in March 2016. 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. The Clerk is aware of the 2019 model version and plans are in place to adopt these at the November council meeting.

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 at council meetings in accordance with regulations.

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.

- £500 and over - Full council approval
- Up to £500 – Clerk, in conjunction with the Chairman

Financial Regulation 5 deals with authorisation of payments. From sample checking of invoices from August 2019, minutes show authorisation of payments lists in accordance with regulations and invoices are signed by a councillor.

Financial regulation 6 deals with making payments. The council makes payments predominately online with occasional cheque payments and some direct debit payments. The on-line banking system has a natural segregation of duties between the originator and authoriser of transactions. Cheques must be signed by two individuals. Renewal of direct debit payments are confirmed annually at the May 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) and does not use section 137 powers.

Confirm that checks of the accounts are made by a councillor

The system noted above details internal review takes place. 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.

At 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 undertakes a full risk assessment that covers operational and financial risks. This was last reviewed and adopted by Council in May 2019.

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, with Employers' Liability and Public Liability cover of £10million and a Fidelity Guarantee of £150,000.

At the interim audit date, 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 is scheduled to start at the working party meeting next week, with plans to agree the final budget and precept in January 2020.

The council has a Parish Plan, but no current three-year forecast is shown. **I would recommend that the council adds its 3 year forecast in accordance with Financial Regulation 3.1 and this is aligned to the council's parish plan.**

As at the interim audit date, the council had spent £7,098 against an expenditure budget of £18,864. This represents a 38% spend year to date and indicates that the budget was appropriately set and has been adhered to 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

Other than the precept, the council has no other income streams.

Both parts of the precept have been received and verified to the bank statement. There is no Council Tax Support Grant (CTSG).

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 has no petty cash.

G. PAYROLL (INTERIM AND FINAL AUDIT)

Interim Audit

Payroll is processed by an external third party, with payments being made by the council and authorised in the same way as all other payments. The Clerk is paid through the payroll on a NJC scale. Checks of the PAYE and NI deductions will be completed at year-end. There are no councillor allowances.

At the interim audit date, I am of the opinion that salaries are correctly stated on the AGAR and 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 fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR at the financial year end. The asset register was last updated in March 2019.

The council has a PWLB loan with an amount outstanding which is due to be repaid in 2023.

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 September 2019. This is due to be reported to the next council meeting, and evidence of previous month's minutes confirm this as normal practice. I have reviewed the September 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. TRUSTEESHIP (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

A Beams

Andy Beams