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Our Ref: MARK/WES010

Mrs C Kennett
Westbourne Parish Council
53 Skylark Avenue
Emsworth
West Sussex
PO10 7GB

11th June 2018

Dear Clare

Re: Westbourne Parish Council
Internal Audit Year Ended 31st March 2018

Following completion of our interim internal audit on the 15th November, the final audit on the 11th June 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.**

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 Westbourne Parish Council are entirely fit for purpose and indeed are a model of good practice. I would like to thank Louise for her assistance and hard work and am pleased to say her high standard of work continues; I therefore make no recommendation for change at this stage.

Final Audit – Summary Finding

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

- Review of annual accounts & 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 transaction of that of the council for the year ended 31st March 2018. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT (INTERIM & FINAL AUDIT)

Interim Audit

The Council continues to use excel an industry specific accounting package. The excel system is used monthly to report and record the financial transactions of the Council and a review of the cashbook shows that all data fields are being entered.

Each month the clerk prints off and files in hard copy, bank reconciliation, list of payments and other reports as fit. This is a clear and easy to follow system and I make no recommendation to change in this process.

I tested opening balances as at 1.4.17 and confirmed they could be agreed back to the audited accounts for 2016-17.

I confirmed that the Council's VAT reclaims are made up to 31st March 2017. This is an annual process.

I note that the Council is not required by law to follow the 2015 Transparency Code, but I **have recommended to the Clerk that it would be sensible to carry out a brief audit against the requirements of the Code to ensure that the Council is fully compliant for when the law changes, and to this end I have signposted Crowborough Town Council as a good site to review.**

The council does not have common council email addresses, whilst not a legal requirement it is recommended that given the changes to data protection and transparency that councils begin to consider common email in the name of the council for example cllr.anon@westbournepc. This will give clarity as to which capacity councillors are acting and a degree of control to the council and an element of protection in the event of FOI requests.

Final Audit

Checks of the computerised accounting system confirmed that the cashbook and other accounts arithmetic were correct and that all reports agreed and cross cast with one another.

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, STANDING ORDERS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT)

Interim Audit

I confirmed by sample testing that Councillors have all signed "Acceptance of Office" forms and register of members interests, in line with regulations.

Standing orders are based on the NALC model and the council has revised and adopted new standing orders in June 2017.

Financial regulations are based on the 2014 NALC model and are dated June 2017. 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.

Financial regulation 2.2 deals with bank reconciliations, whilst the council is performing a monthly bank reconciliation the face of the bank statements were not being signed as evidence of review. In addition to this, the body of the minute could be more descriptive in this regard. I recommend council review financial regulation 2.2 with a view to amending future reporting in this area. **The process has been updated by the year end visit, this point is now cleared.**

Financial Regulation 5 deals with authorisation of physical payments. In respect of payment authorisations, the council authorises the payments list which details payments made or to be made. The minutes of the full council or finance committee contain a dated payments list and the corresponding minute does describe the attachment so that it can be identified beyond reasonable doubt. In reviewing consecutive payments lists no cut off errors were found.

Invoices are authorised and a random sample of payments was selected for August 2017. There were no errors and all agreed to the payments list and the minutes.

Financial regulation 6 deals with making payments. The council makes payments on-line and by cheque. The cheques stubs are initialled twice – there were 2 of recent cheques not initialled. The Lloyds system is set up such that the same user cannot both create and authorise the same payment, further authorisation is required. This is a natural segregation of duties.

Financial regulation 7 deals with salaries. Salaries are authorised by council in the usual manner and reported as cumulative gross item each month.

Financial regulation 11 deals with tenders and quotes. There have been no formal tenders for works over £60k, but there has been need to obtain quotes for work to the value of £3,000 or more. The minutes show members discussed the quotes in council.

Final Audit

All Other Payments £85,903 (2017: £47,835).

I have reviewed the expenditure list and year on year the expenditure is broadly similar and in total has increased by £38k. due to expenditure on the new playground.

We found no evidence of breaches of financial regulations in the sample testing completed, invoices are approved by council and there is regular reporting to council.

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 & INSURANCE (INTERIM & FINAL AUDIT)

The Council undertakes a full risk assessment that covers operational and financial risks. The risk management policy was reviewed and agreed by council in September 2017. I would recommend as a minimum the financial risk assessment is reviewed and this activity minuted prior to the council year end. **This has been implemented and this point is now cleared.**

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.

Final Audit

Minutes are prepared for all meetings of the Council and its committees i.e.

- Full Council; meets - monthly
- Public Services Committee - quarterly
- Planning meets - monthly
- Finance & General Purposes; meets quarterly
- Recreation, Leisure & Amenities; meets quarterly

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks only the full Council has spending powers.

Minutes are uploaded to the council website. 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, with reference to when agenda were issued.

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

Interim Audit

I confirmed that the 2018-19 budget and precept setting process was well underway at the time of our interim audit, with initial budget meetings complete. The 2018-19 budget and precept will be approved by the end of January 2018, so all precepting authority deadlines will be met.

As at 30th September 2017 total reportable income was £43,925 (Annual Budget £81,000) and expenditure £43,111 (annual budget £82,569). Income and expenditure are in line with budget expectation.

The Council was able to demonstrate that budget monitoring reporting to members is completed on a monthly basis. Reporting is comprehensive, and is appropriately minuted. I reviewed the budget outturn report for September 2017 and noted that all expenditure had been booked against approved budget heads. One budget heading has been exceeded and this has been discussed by council in accordance with financial regulation 4.2

At the end of October, the council had £139k in bank balances, by the end of the year this will reduce to circa £80k of which £52k is earmarked leaving a projected general fund balance of circa £28K. This is a little low as a general reserve but not inappropriate. Rule of thumb calculations would suggest 50% of precept being £38k would be acceptable.

Final Audit

Reserves Carried Forward £74,293 (2017: £109,873)

In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £38k. The council has £30k of general reserves and £44k of earmarked reserves. The general fund balance of £30k is entirely reasonable for a council of this size.

It was noted that the reserves working spreadsheet did not match the annual return reserves carried forward figure of £74,293. **I recommend this is corrected as it will lead to confusion in the forthcoming year.**

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

Both tranches of precept have been received and agreed to remittance advice notes. The council has little or no other income to report. The council is reminded to ensure per financial regulation 9.2 Annual charges are reviewed and this activity minuted. **Processes have been updated and this point is now cleared.**

Final Audit

Precept income £77,804 (2017: £59,235)

Other income £10,462 (2017: £15,767)

The precept income was tested to remittance advice notes and underlying workings, these were properly received and banked, the grant element has been correctly shown in box 3. There are no errors to report.

Other income comprises, grants, interest, allotments & VAT refund. I have reviewed the cashbook and was able to follow the entries to underlying documentation where available.

In total, income has increased by £13,264. Due in the main to increases in precept and a reduction in the neighbourhood plan grant.

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

The Council has a float of circa £36 this was in agreement with the petty cash book and receipts.

Petty cash expenditure is presented monthly to a Council meeting for approval.

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 & FINAL AUDIT)

Interim Audit

The council has two employees and uses the HMRC PAYE tool to calculate the tax and national insurance. The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS. The tax deductions of an employee were tested at random – there were no errors.

Employees are paid with reference with NJC scales for consistency purposes. The signed minutes show that council approves changes to wages.

Final Audit

Salaries £37,943 (2017: £14,379)

The amounts shown on the AGAR, were reconcilable to the payroll records, there were no errors.

Quarterly and year-end PAYE and NI deductions and returns have been submitted online, on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review.

The year on year movement of £23,564 is reported on the explanation of significant variances report and is due to maternity cover.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken.

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 & INVESTMENTS (INTERIM & FINAL AUDIT)

Final Audit

Fixed Assets and Investments £298,049 (2017: £260,451)

The Council does not hold any long term investments i.e. over 1 year. The fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR. The asset register was up to date with all relevant assets as at the current financial year end and showed the addition of the playground equipment.

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 RECONCILIATIONS (INTERIM & FINAL AUDIT)

Interim Audit

The Council has two bank accounts all held with Lloyds. I have tested that the bank accounts are being reconciled promptly at the end of each month. I also re-performed the September bank reconciliation. I found no error in the reconciliation.

Final Audit

Bank & Cash Balances £74,293 (2017: £109,873)

At the year-end date the council had a reconciled bank position which has been signed in accordance with financial regulations. I have reviewed the reconciliation there were £1,748.30 of outstanding payments and no lodgements.

The council has two bank accounts, together with petty cash. 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 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

The year-end accounts have been correctly prepared on the receipts and payments basis with no requirement for a box 7 & 8 reconciliation.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2016/17 AGAR.

The variance analysis is required to be submitted to the external auditor and this is has been properly completed.

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 AGAR will be ready for submission to the external auditor within statutory time scales and that the control objective of “Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.”, has been met.

K. Trusteeship

The council is trustee of 210082 - SMITH'S CHARITY. The council is up to date with its filings.

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

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Mulberry', with a stylized flourish at the end.

Mark Mulberry