



MULBERRY & CO

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Our Ref: MARK/WES010

Mrs C Kennet
Westbourne Parish Council
53 Skylark Avenue
Emsworth
PO10 7GB

8 January 2021

Dear Clare

Re: Westbourne Parish Council
Internal Audit Year Ended 31st March 2021

Executive Summary

Following completion of our interim internal audit on 8 January 2021 we enclose our report for your kind attention and presentation to the council. The audit was conducted remotely in accordance with current practices and guidelines and testing was risk based. The council was provided a list of items in the plan to prepare in advance and from this we selected further items to sample. 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 tables at the end of the report.**

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

- Review of the accounting system and financial reporting package
- Review of the Financial Regulations and Standing Orders
- Review of the risk assessments and insurance
- Review of the budgeting process
- Review of salaries
- Review of fixed asset register

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

The Clerk is very experienced, and it is clear the council takes governance, policies and procedures very seriously. 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.

It is therefore our opinion that the systems and internal procedures at Westbourne Parish Council are well established and followed.

Regulation

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. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are adequate and effective.

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.

Independence and competence

Your audit was conducted by Andy Beams of Mulberry & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor has over 30 years’ experience in the financial sector with the last 10 years specialising in local government.

Engagement letter

An engagement letter was issued in September 2020 covering the 2020/21 internal audit assignment. Copies of this document are available on request.

Planning and inherent risk assessment

The scope and plan of works including fee structure was issued to the council in September 2020 under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the Annual Governance and Accountability Return (AGAR).

- There have been no instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is my opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be “walk through testing” on sample data to encompass the period of the council year under review.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)**Internal audit requirement**

Appropriate accounting records have been properly kept throughout the financial year.

The council continues to use Excel as a day-to-day accounting package. The system is used regularly to report on and record the financial transactions of the council and is suitable for a council of this size.

The information requested for the remote audit was provided in full, and my audit testing showed that these documents were well organised, clear and easy to follow. A review of meeting agendas show sufficient financial information is provided at committee and council meetings to support council decisions. I make no recommendation to change this system.

The council is not VAT registered. VAT reclaims are completed on an annual basis, with the last reclaim completed for the period to the end of March 2020 and showing a refund position of £3,736.91. The presentation of the information for the VAT 126 return includes all relevant details. 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)**Internal audit requirement**

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

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

The external auditor's report was not qualified for 2019/20, is published on the council website and was reported to council on 12 November 2020. The internal auditor's report was discussed and minuted by council on 11 June 2020.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors sign "Acceptance of Office" forms and the web site shows the Register of Disclosable Pecuniary Interests for each councillor alongside their contact information. It was noted that one councillor's declaration is yet to be added to the website due to technical issues.

Confirm that the council is compliant with the relevant transparency code

As the council's income and expenditure are between £25,000 and £200,000, is not required by law to follow the either of the Local Government Transparency Codes although it is recommended to do so. A review of the council website shows that the council is following the code through the publication of information in a clear and transparent way.

Confirm that the council is compliant with GDPR

The council is fully aware of GDPR and has undergone training. It was noted the council has established common email addresses for all councillors, and they are all now using them. This is recommended because it gives a natural segregation between work and personal lives, making it clear beyond doubt in what capacity a councillor is acting. In addition to this it 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 a Privacy Notice on the home page of its website, and it is clear the council takes its responsibilities seriously and has made every effort to comply with the legislation.

Confirm that the council meets regularly throughout the year

In addition to full council, the council has a committee structure in place, with future meeting dates published on the website alongside committee agendas and minutes.

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 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 available on the website.

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

Draft minutes are routinely uploaded to the council website, with a statement on the page stating that the signed versions are available on request.

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

The standing orders are based on a NALC model. They were last reviewed and adopted by council on 14 May 2020. The model version has been updated since, and while not fundamentally different, I recommend the next review is carried out against the most recent version to ensure all legislative requirements are included.

The council has incorporated the legislative changes made under The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 into their practices. At the time of the interim audit, it did not appear that the council had formally adopted these, but the Clerk has subsequently provided evidence to confirm this has been completed in accordance with the regulations.

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

Financial regulations are based on the latest NALC model. They were last reviewed and adopted by council on 14 May 2020 [minute ref 012-20/21]. The regulations 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.

The council has thresholds in place at which authorisations to spend must be obtained as below:

- The council for all items over £600
- A duly delegated committee of the council for items over £600
- The Clerk, in conjunction with Chairman of Council and chairman of the appropriate committee/ or Vice-Chair of the Council up to £2,000 in an emergency
- The Clerk is authorised to purchase stationery and other office requirements up to £600 for the day to day running of the Parish Council.

Receipts and payments are regularly reported and evidence of this is recorded in the minutes of the meetings. I have no doubt that councillors are provided with sufficient financial information for them to make informed decisions.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.32 per elector.

The council has the General Power of Competence (GPC) and the thresholds do not apply.

Confirm that checks of the accounts are made by a councillor.

The system noted above details internal review takes place and I am under no doubt that council properly approves expenditure.

At the interim audit date, 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. I am therefore 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 AUDIT)***Internal audit requirement***

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The council has in place risk assessments, including Covid specific ones. The financial risk assessment is reviewed annually by council, and details the likelihood and severity of risks, control measures in place and any actions needed. This was last reviewed by council in February 2020.

I confirmed that the council has a valid insurance policy in place with Zurich in a long-term agreement expiring on 1 April 2023. The policy includes Public Liability cover of £15 million, Employers Liability cover of £10 million and a Fidelity Guarantee level of £250,000.

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)***Internal audit requirement***

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

I confirmed that the 2020-21 budget and precept setting process is underway, with the final proposal due to be confirmed by council at its meeting in January. The council has a business plan in place, which includes some financial estimates and has started the process of reviewing this.

I have confirmed that in accordance with Financial Regulations, regular reporting of budget against expenditure is carried out and reviewed.

At the interim audit date, the council held a total of £116,000 in a number of clearly defined earmarked reserves, and a further £48,000 in general reserves at the start of the year. General guidance recommends the council’s general reserve should be circa 50% of precept, or 3-6 months net revenue expenditure (NRE), as adjusted for local conditions.

At the end of December, the council showed income at 112% of budget and expenditure at 87%. The Clerk has developed a clear suite of management information to present to meetings to ensure they are kept up to date with the council’s financial position.

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)

Internal audit requirement

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

The Covid-19 pandemic has not had a substantial impact on the council's income, although there has been some additional Covid related expenditure to improve IT accessibility and support local organisations. Projected budgets for income have already been exceeded for the year, with the precept continuing to be the council's primary source of income.

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)

Internal audit requirement

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

The council has no petty cash.

G. PAYROLL (INTERIM AND FINAL AUDIT)

Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

The council processes payroll internally using HMRC online tools. Payments are made by the council and approved in the same way as other expenditure. The Clerk has a signed contract of employment and is on the NJC scale, with the NJC pay agreement taking effect from 1 April 2020 having been noted by council.

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)

Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

The council has a fixed asset register in place, which includes details of the type and location of assets, original cost, date of acquisition and estimated useful life. The assets listed appear consistent with the detail on the insurance schedule.

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)**Internal audit requirement**

Periodic and year-end bank account reconciliations were properly carried out.

Bank reconciliations are completed on a monthly basis and presented to council. At the interim audit date, the sample reconciliations provided were reviewed and there were no errors identified.

The council is attempting to open new bank accounts to take advantage of the protection offered by the Financial Services Compensation Scheme (FSCS), although this has been delayed due to the pandemic.

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)**Internal audit requirement**

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.

To be reviewed at the year end.

K. LIMITED ASSURANCE REVIEW (FINAL AUDIT)**Internal audit requirement**

IF the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")

The council did not declare itself exempt from a limited assurance review in 2019/20.

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

The authority has demonstrated that during summer 2020 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

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

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 (SI 2020/404) amended the deadline by which the Annual Governance Statement and Statement of Accounts of the Annual Governance and Accountability Return (AGAR) together with any certificate or opinion issued by the local auditor must be published from 30 September 2020 to 30 November 2020.

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

Previously there was a requirement for all smaller authorities to have a common period for the exercise of public rights, being the first 10 working days of July. Under the new regulations there is no requirement for a common period for the exercise of public rights. Smaller authorities are still required to set a period for this

purpose, but the only requirement is that the 30 working day period for the exercise of public rights should start on or before the first working day of September, i.e. on or before 1 September 2020.

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 came into force on 30 April 2020.

I confirmed that arrangements are in place at this council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

Inspection - Key date	2019/20 Actual	2020/21 Proposed
Date Inspection Notice Issued	29 May 2020	To be reviewed at year end
Inspection period begins	3 June 2020	To be reviewed at year end
Inspection period ends	14 July 2020	To be reviewed at year end
Correct length	Yes	To be reviewed at year end
Common period included?	n/a	To be reviewed at year end

I am satisfied the requirements of this control objective were met for 2019-20, and assertion 4 on the annual governance statement can therefore be signed off by the council.

I am of the opinion the control objective of “The authority has demonstrated that during summer 2020 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations” has been met.

M. TRUSTEESHIP (INTERIM AUDIT)

Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

The council is the sole managing trustee of Westbourne Parish Allotment for Exercise and Recreation (Charity Number 265105). A review of the Charity Commission website shows that all reporting is up to date.

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

Yours sincerely

A Beams

Andy Beams

For Mulberry & Co