



## MULBERRY & CO

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Our Ref: MARK/WES010

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

9<sup>th</sup> May 2019

Dear Clare

**Re: Westbourne Parish Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2019**

Following completion of our interim internal audit on the 8<sup>th</sup> November and our final audit on the 9<sup>th</sup> May 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 tables at the end of the report. The recommendations from the interim visit have been answered 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 & 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 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 Claire for her assistance and

whilst my report contains recommendations to change these are not indicative of any 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 & 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 2019. Accordingly, I have signed off the AGAR.

### **A. BOOKS OF ACCOUNT (INTERIM AUDIT)**

The Council continues to use excel a bookkeeping and reporting package which is used weekly to report and record the financial transactions of the Council. On average there are circa 15-20 transactions per month and a review of the cashbook shows that all data fields are being entered and it is possible, by reading the cashbook, to understand the nature and scope of the transactions. **I would perhaps consider the addition of a column to show a unique reference number to make locating the hard copy invoices easier.**

Each month/quarter the clerk prints off and files in hard copy, a bank reconciliation, list of payments, cashbooks, budget monitoring 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 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18.

I confirmed that the Council's VAT reclaims are made up to 31st March 2018. The refund was received in April 2018.

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 & PAYMENTS (INTERIM & FINAL AUDIT)**

#### **Interim Audit**

The external auditors report not was qualified in 2017/18; this was taken to full council together with the notice of conclusion of audit in September 2018.

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

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

- Full Council; meets circa monthly
- Recreation and Amenities three times annually
- Public Services, three times annually
- F&GP – twice yearly
- Planning; meets monthly
- Joint Burial Committee

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

Minutes and agendas 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.

The council does not have common council email addresses, whilst not a legal requirement it is **recommended to consider common email addresses** 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.

The Standing Orders & Financial regulations are based on the NALC model and the council readopted them in October 2018. The regulations being based on the NALC model contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and council conduct.

The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is as listed below.

- £60,000 + Tender Process
- £3,000 - £60,000 3 quotations are required.
- £1,500 - £3,000 – strive to get 3 estimates
- 0 - £1,500 – power to spend

Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts in accordance with regulations and evidence is noted in the minutes of this process in action.

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. The clerk will be notified by email of an expenditure requirement, the clerk will then obtain estimates or quotes as above, notify the chair and committee heads, and take information to council to obtain approval to spend. Once approval is notified and minuted the clerk will purchase the necessary goods and services on behalf of the council.

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations.

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit and on-line banking. Cheques must be signed by two councillors; interbank transfers can be made by the clerk. Internet payments are made via the bank website and the bank is set such that the originator cannot authorise the same transaction, so there is a natural segregation of duties and control in place. Admin changes must be authorised by an officer.

Financial regulation 7 deals with approval and authorisation of salaries, there have been no changes to the wages since April; however; a review is being made in the November meeting. Salary payments are approved in the same manner as payments above.

Financial regulation 11 – deals with tenders and quotes. There have been no tenders this year and the council will be reviewing grass cutting contracts in the near future. Evidence was noted of obtaining quotes and estimates in accordance with regulation.

I am of the opinion the council is following its own regulations.

## **Final Audit**

All Other Payments £62,120 (2018: £85,903).

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items. We found no evidence of breaches of financial regulations in the sample testing completed.

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)**

### **Interim Audit**

The Council has a risk management policy and undertakes a full risk assessment that covers operational and financial risks. This will be taken to the December 2018 meeting for review.

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**

We discussed assertion 8 of the AGAR and whether or not this had any impact on the council.

*"We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements."*

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 & RESERVES (INTERIM & FINAL AUDIT)**

### **Interim Audit**

I confirmed that the 2018-19 budget and precept setting process was underway at the time of our interim audit, with initial budget meetings complete. The 2019-20 budget and precept will be approved by the end of January 2019, so all precepting authority deadlines will be met.

At the end of September, the council had £141k in combined bank balances; council is aware of the rule of thumb calculations that indicate a general reserve balance of circa 50% of precept as adjusted for local conditions as being reasonable.

The council has comprehensive budget reporting and reserves monitoring and it is anticipated that earmarked reserves will be circa £70k at the year-end with a general reserve of £30k.

### **Final Audit**

Reserves Carried Forward £107,790 (2018: £74,293)

The council has £82,103 of earmarked reserves and £25,687 of general reserves. 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 £40k. I am of the opinion that general reserves are reasonable albeit a little on the low side and are properly reported on.

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**

The council has various streams of income:

- Precept (circa 90% of all income)
- Allotments
- Grants
- Interest

Both tranches of precept have been received and agreed to remittance advice notes. The council has little or no other income to report. The precept was received in April 2018 & October 2018. The council last reviewed its annual charges in June 2018

### **Final Audit**

Precept income £80,495 (2018: £77,804)

Other income £28,553 (2018: £10,462)

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 £18,091. Due in the main to additional grants & new homes bonus received in year.

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)**

This has not been used since the year end and has a small float of circa £35. **I would recommend the council dispense with petty cash as soon as possible and replace this with a debit card, which can be subject spending thresholds.**

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 one employee 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. All Council employees are paid through the payroll and no employees are paid separately for any other Council work undertaken.

It was noted that the clerk received a use of home allowance, which is not taxed – this is not strictly correct. Allowances and unless HMRC approved are taxable and part of the employee’s remuneration package. **I recommend this is reviewed as a matter of urgency and the payroll amended going forward.**

Monthly 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.

#### **Final Audit**

Salaries £13,431 (2018: £37,943)

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

The year on year movement of £24,512 is due to the employment of a locum clerk in the prior year.

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 & FINAL AUDIT)**

#### **Interim Audit**

The Council has a fixed asset register in place. Assets are correctly stated at historic or proxy cost. The Council does not hold any long term investments i.e. over 1 year. Any addition to the asset register is normally with a cost value greater than £1,000.

The fixed asset register has been maintained in an Excel spreadsheet. The asset register was up to date with all relevant assets as at the current financial year end.

#### **Final Audit**

Fixed Assets and Investments £299,078 (2018: £298,049)

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.

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 & CASH (INTERIM & FINAL AUDIT)**

#### **Interim Audit**

The Council has two bank accounts both held with Lloyds. I have tested that the bank accounts are being reconciled promptly at the end of each month. I also reviewed the April & September 2018 bank reconciliations. I found no errors.

#### **Final Audit**

Bank & Cash Balances £107,790 (2018: £74,293)

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation there were no outstanding payments and no outstanding lodgements. I also tested the cut off and can confirm the payments and lodgements are shown in the correct year.

The council has two bank accounts. 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 (FINAL AUDIT)**

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 2017/18 AGAR.

The variance analysis is required because there are variances greater than 15% and £500. This has been prepared on a summary table basis.

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 (INTERIM AUDIT)**

The council is not the trustee of 210082 - SMITH'S CHARITY. All involvement should be cancelled and the clerks contact details removed from the Charities Commission.

There is some confusion regarding charity 265105 Westbourne Parish Allotment For Exercise & Recreation- currently the PC is not a trustee. I recommend this is discussed with solicitors.

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

This new internal control objective is not active for 2018-19 financial year. However, I confirmed with the RFO that arrangements are in place at this Council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

<b>Inspection - Key date</b>	<b>2017-18 Actual</b>	<b>2018-19 Proposed</b>
<b>Accounts approved at full council</b>	April 2018 Full Council	7 <sup>th</sup> April
<b>Date Inspection Notice Issued and how published</b>	1 June	31 <sup>st</sup> May
<b>Inspection period begins</b>	4 June	3 <sup>rd</sup> June
<b>Inspection period ends</b>	13 July	12 <sup>th</sup> July
<b>Correct length</b>	Yes	yes
<b>Common period included?</b>	Yes	yes
<b>Summary of rights document on website?</b>	<b>Attached to inspection announcement</b>	<b>Attached to inspection announcement</b>

I am satisfied the requirements of this control objective were met for 2017-18, and assertion 4 on the annual governance statement can therefore be signed off by the Council. Plans are also in place to allow for inspection periods to be published and set correctly for 2018-19 accounts – the Council is planning to follow dates suggested by external audit.

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

Kind regards  
Yours sincerely

*M. Mulberry*

**Mark Mulberry**



### Interim Audit - Points Forward

<b>Audit Area</b>	<b>Comment</b>	<b>Council Comment</b>
<b>Books of Account</b>	I would perhaps consider the addition of a column to show a unique reference number to make locating the hard copy invoices easier.	Completed
<b>Governance</b>	It is recommended to consider common email addresses	Completed
<b>Petty Cash</b>	I would recommend the council dispense with petty cash as soon as possible and replace this with a debit card, which can be subject spending thresholds.	Completed
<b>Payroll</b>	Use of home allowance, I recommend this is reviewed as a matter of urgency and the payroll amended going forward.	Now part of salary
<b>Trust</b>	All involvement should be cancelled and the clerks contact details removed from the Charities Commission.	Completed

### Final Audit - Points Forward

<b>Audit Point</b>	<b>Audit Findings</b>	<b>Council comments</b>
Accounts	I have given the clerk some points to assist with clarity and ease of reporting	
Trusts	There is some confusion regarding charity 265105 Westbourne Parish Allotment For Exercise & Recreation- currently the PC is not a trustee. I recommend this is discussed with solicitors.	