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Our Ref: MARK/WES010

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

Date 12 December 2019

Dear Clare

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

Following completion of our interim internal audit on the 12th December 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.**

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 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 Clare 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 as a day to day accounting package. The system is used regularly to report on and record the financial transactions of the council. The Clerk has developed a suite of monitoring records demonstrating performance against budget and other information. These are clear and easy to read and appropriate for a council of this size at present. However, with the continuing developing nature of the council's activities, and associated increased complexity of the financed, the council may want to consider moving towards a bespoke accounting package, such as RBS.

The council is not VAT registered. VAT reclaims are completed on an annual basis. The last VAT reclaim was for the period to the end of March 2019 and the refund amount was verified as received on the bank statement on 22 October. The Clerk had to make arrangements to forward detailed information to HMRC to complete the return, but this proved successful.

My audit testing showed that financial documentation could be easily located from records and 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 and were reported to the council at the meeting of 10 October 2019.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors have signed "Acceptance of Office" forms and Register of Members' Interests, in line with regulations. Register of Members' Interest forms are loaded on to the council website. 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 not required by law to follow the 2015 Local Government Transparency Code, although it is recommended best practice for all councils to do so. A review of the web site shows that the code is being followed through the publication of expenditure information, grant details, staffing information and constitution documents. The Clerk has developed a website which is both eye catching and easy to navigate, with all information logically stored and every link that was tested during the audit working correctly.

Confirm that the council is compliant with the GDPR

The council is aware of GDPR and has undergone training. The council has introduced common email addresses internally and for councillors, although it was noted that one councillor is continuing to use their personal email address. It is recommended to use common email addresses 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, and for this reason **I recommend the remaining councillor follows the system established by the council.**

The council has not appointed an external Data Protection Officer (DPO) but has a Privacy Notice and Data Protection policies on the website.

Confirm that the council meets regularly throughout the year

The council is set up through a number of committees as below:

- Council – meets monthly (except August)
- Recreation, Leisure and Amenities – meets three times per year
- Public Services – meets three times per year
- Finance and General Purposes – meets twice per year
- Planning – meets monthly

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 is noted that the non-confidential supporting documentation referred to in the agendas is also included on the website.

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

Draft minutes are uploaded to the council website usually within a week of the meeting. A notice on the website makes it clear that these are in draft format prior to approval by the council.

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

The Standing Orders are based on the NALC 2018 model and were adopted by council in November 2019, with no major changes to the model version.

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

The Financial Regulations are based on the NALC 2019 model and were adopted by council in September 201, with no major changes to the model version. 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.

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 and these are being signed by a councillor, who is not a signatory. Evidence of this was verified for the October and September 2019 reconciliations, although it was noted that the original bank statement had not been signed and the activity is not being reported to council as required in the regulations and **I recommend these actions are put in place.**

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 as below:

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

Through discussion with the Clerk, these thresholds seem appropriate.

Financial Regulation 5 deals with authorisation of payments. The minutes include an attachment of the authorisation of payments lists in accordance with regulations. Sample checking of invoices and payment lists confirm correct processes are being followed.

Financial regulation 6 deals with making payments. The council makes payments by BACS with some direct debits and an occasional cheque. Renewal of direct debits was confirmed by council at the December meeting. There is a clear segregation of duties with online payments.

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 and the section 137 limit does not apply.

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

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

At the 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 has a Risk Management Policy which was adopted by council in 2017. There are regular risk assessments completed for the playground, and a financial risk assessment which was last reported to council in February 2019.

The council has a valid insurance policy in place, with Public Liability cover of £15 million, Employers Liability cover of £10 million, and a Fidelity Guarantee 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)

Interim Audit

I confirmed that the 2020/21 budget and precept setting process has begun. A draft proposal has been prepared and the final budget and precept is planned to be agreed by council in January 2020.

The council has a business plan and action plan, which has resulted been open for comments from residents. A forward budget plan is included in the action plan.

The council held circa £29,000 in general reserves at the start of the year and a further £103,000 number of specified earmarked reserves, including CIL with the relevant expiry dates for use. General guidance recommends the Council's general reserve should be circa 50% of precept, adjusted for local conditions and the level held is slightly lower than expected, although there are considerable earmarked reserves.

At the interim audit date, the council's year to date position showed expenditure of 62.4% against budget and 110.4% against income. This demonstrates that the budget was accurately set and closely monitored 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

Apart from the precept, the council's other income is through allotment lease income, land rental income, grants and CIL/s.106 money.

The whole precept has been received properly accounted for. The support grant has been correctly accounted for.

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.

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 AND FINAL AUDIT)

Interim Audit

The council uses HMRC online payment tools for calculating salaries. Payments are made by the council and approved using the same system. There are no councillor allowances. The Clerk has a signed contract of employment and are all on the NJC scale.

At the interim audit date, I am of the opinion 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 council has a detailed fixed asset register in place including all the required information. Assets are correctly stated at historic or proxy cost. The asset register was up to date with all relevant assets as at the current financial year end. Additions and deletions are completed in year.

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 October, which has been signed in accordance with Financial Regulations.

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 a complicated position with regard to the Monk's Hill recreation ground where they are currently receiving advice on how to proceed.

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