



MULBERRY & CO

Chartered Certified Accountants
Registered Auditors
& Chartered Tax Advisors

9 Pound Lane
Godalming
Surrey, GU7 1BX

t + 44(0)1483 423054
e office@mulberryandco.co.uk
w www.mulberryandco.co.uk

Our Ref: MARK/ABI001

Ms B Anderson
Abinger Parish Council
9 Spencers Road
HORSHAM
West Sussex
RH12 2JQ

13th May 2020

Dear Beccy

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

Following completion of our interim internal audit on the 18th November and our final audit on the 13th 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 Abinger Parish Council are fit for purpose.

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 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 2020. Accordingly, I have signed off the AGAR.

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 cashbook had been completed & reconciled to the end of October, with some November details populated.

Every month, the cashbook is printed and filed in hard copy. This is a clear and easy to follow system and a review of the cashbook shows that all data fields are being entered, the hard copy reports are easy to read. My audit testing showed that supporting documentation for both receipts and payments could be easily located from records.

I tested opening balances as at 1/4/19 and confirmed they could be agreed back to the audited accounts for 2018/19.

The Council is not VAT registered and the last VAT reclaim was for the period ended 30th September 2019, which shows a refund position which was received in October 2019. This also indicates that the council is up to date with its postings on the financial package.

Overall, I have the impression that the accounting systems are well ordered and routinely maintained and as such I make no recommendation to change.

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)

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.

Interim Audit

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

External auditors report was qualified in 2018/19. This has not been taken to council yet and the notice of conclusion has not been publically displayed.

The qualification was based on an incorrect notice period of electors rights – the council must remember to answer "No" on the 2019/20 Annual Governance Statement assertion 4.

I recommend the external auditors report and notice of conclusion are taken to council and minuted at the next available opportunity. In addition, the completed full AGAR should also be posted to the website.

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 will however, need to sign acceptance to receive information by electronic means.** I have provided some sample wording below for council consideration.

"As per Schedule 12 of the Local Government Act 1972, I consent to the receipt of all council meeting papers by electronic methods. I understand I may withdraw this consent at any time."

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 Transparency Code. However, the AGAR is posted annually and the Payments list forms part of the minutes.

Confirm that the Council is compliant with the GDPR.

As council is aware of GDPR and has a website privacy policy on its web site and internally maintains a list of policy's one of which is GDPR. If the council wanted to follow best practice and transparency regulation it could post its policies to its web site.

It was noted the Council has common email addresses internally. A common email system such as cllr.name@APC..... is recommended because it gives a natural segregation 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.

Confirm that the Council meets regularly throughout the year

The council 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, there was no evidence of non-compliance. **I remind council it is required to also post any supporting documentation with the agendas as outlined by the Information Commissioner's Office (page 3 of this link) ico.org.uk/minutesandagendas.pdf**

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

Draft minutes are uploaded to the council website. It was noted the last set of minutes were July 2019. **I recommend the later minutes are uploaded as soon as possible.**

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. These were reviewed and re adopted in August 2019. **The web site copy needs to be updated.**

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

Financial regulations are based on the NALC model. These were reviewed and re adopted in August 2019. 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 web site copy needs to be updated.**

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 in accordance with regulations. However, it was noted that the face of the bank statements is not being signed. **I recommend this regulation is reviewed and in future the minute amended.**

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.

- Over £500 – council approval
- Up to £500 – clerk and chair

This is a little restrictive insofar as, this would indicate the clerk is unable to purchase incidentals (post and stationary) without prior approval. **I would perhaps suggest to add a threshold that would allow the clerk to incur expenditure up to say £50 without prior approval.**

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

- £25,000 + Tender Process
- £1,000 - £25,000 3 quotations are required.
- £100 - £1,000 – strive to get 3 estimates
- 0 - £100 – power to spend

These are not incorrect for a council of this size.

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. Cheques must be signed by two individuals.

I discussed the purchasing system with the clerk vis-à-vis financial regulations 4, 5 & 6 and ascertained that the regulations are being followed at a local level as described below:

1. Ask council for prior approval to order goods and service (usually at a meeting)
2. Invoices batched – then entered to excel ready for next meeting
3. Cheques are pre written in readiness
4. Invoices and cheques taken to meeting for approval
5. Clerk issues next day in post.

I remind council that cheque book stubs must be initialled twice to verify the cheque stub agrees to the cheque and the cheque agrees to the invoice being paid. (Financial Regulation 6.5)

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.12 per elector.

The council has had minimal S.137 expenditure. This is with thresholds.

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.

I am of the opinion the council is generally 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. **However, I would recommend the Financial regulations are read in detail before the year end to ensure that they match local practice.**

Final Audit

I have reviewed the cashbook for evidence of netting off and if the individual entries were in accordance with the heading under which they were allocated. 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 AUDIT)

Internal audit requirement

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

Interim Audit

The Council is insured with HISCOX on a standard local authority package. I confirmed that the insurance certificate was in date with a renewal date of 1 June 2019. Money cover appeared sufficient. The Council has insured one asset, Waliswood Village Hall, insured for £213K. No other assets are insured.

The Council has a risk assessment in place. This was reviewed in January 2019 and is adequate for a council of this size. **I remind council to ensure this is reviewed and minuted as such on an annual basis. I also remind council to ensure it has a risk management policy in place too.**

At 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

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)

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.

Interim Audit

At the interim audit date the budget process had not been started. **I remind council of the January deadline it has written into its financial regulations.**

I will review this further at the year-end audit, but I do take this opportunity to remind council that it does not have the power to accumulate general reserves. General guidance recommends a general reserve of circa 50% of precept, as adjusted for local conditions is appropriate, with all other balances being appropriately earmarked.

Final Audit

The council has £35,184 of total reserves of which all are 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 £13.5k. **I would recommend council review its reserves position with a view to earmarking funds for future use.**

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)

Internal audit requirement

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

Interim Audit

The council has precept and grant income. The precept & grant has been received in full and verified to third party evidence.

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.

Final Audit

The precept income was tested to remittance advice notes and application for payment. The local tax support grant has been correctly shown in box 3 of the AGAR. There are no errors to report.

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)

No petty cash

G. PAYROLL (INTERIM & 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.

Interim Audit

The payroll is outsourced; however, it is clear that errors have been made. The clerk is aware of this and is sourcing a new provider and adjustments will be made.

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.

Final Audit

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

Monthly 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.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken. Casual labour payments are correctly recorded via the payroll.

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)

Internal audit requirement

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

Interim Audit

The Council has a fixed asset register in place. Assets are correctly stated at historic or proxy cost. 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.

The Council does not hold any long term investments i.e. over 1 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.

Final Audit

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 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)

Internal audit requirement

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

Interim Audit

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

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.

Final Audit

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

The council has two active 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)**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.

The council, at its meeting to sign off the year-end accounts, must discuss the Annual Governance Statement and record this activity in the minutes of the meeting. Based on the internal audit finding, I recommend using the table below as the basis for that discussion. THIS MUST BE A SEPARATE AGENDA ITEM TO THE SIGNING OF THE ANNUAL ACCOUNTS.

Section 1 – Annual Governance Statement

	Annual Governance Statement	<i>'Yes' means that this authority</i>	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	YES – Receipts & Payments accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	YES – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	YES – the Clerk is experienced and advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	NO – the requirements and timescales for 2018/19 year-end were not followed.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	YES – the council has a risk management scheme and appropriate external insurance.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	YES – the council has appointed an independent and competent internal auditor has completed two audits during the year.
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	NO – A number of the matters from the internal audit remain on going.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after	<i>disclosed everything it should have about its business activity during the year</i>	YES – no matters were raised during the internal audit visits.

	the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements.	<i>including events taking place after the year end if relevant.</i>	
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	N/A – the council has no trusts.

Section 2 – Accounting Statements

Agar Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	37,341	38,907	Agrees to 2019 cfwd
2	Precept or Rates and Levies	26,000	27,000	Agrees to third party evidence provided to auditor
3	Total other receipts	31,323	7,655	Agrees to underlying records
4	Staff costs	9,977	16,169	Agrees to underlying records
5	Loan interest/capital repayments	0	0	Agreed no loans
6	All other Payments	45,780	22,209	Agrees to underlying records
7	Balances carried forward	38,907	35,184	Cast correctly agrees to balance sheet (subject to £ rounding)
8	Total value of cash and short term investments	38,907	35,184	Agrees to reconciliation
9	Total fixed assets plus long term investments and assets	96,682	99,402	Agrees to register
10	Total borrowings	0	0	Agreed no loans
11	For Local Councils Only) Disclosure note re Trust funds (including charitable)	YES	NO	Information is up to date
		✓		

The year-end accounts have been correctly prepared on the receipts & 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 2018-19 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. LIMITED ASSURANCE REVIEW (FINAL AUDIT)**Internal audit requirement**

IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick “not covered”)

Not applicable.

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

The authority has demonstrated that during summer 2019 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 have been changed as follows:

The publication date for final, audited, accounts will move from the 30 September to 30 November 2020 for all local authority bodies. To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of July has been removed. Instead, local authorities must commence the public inspection period on or before the first working day of September 2020.

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

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 are due to come into force on 30 April 2020.

The relevant dates as set by Abinger Parish Council Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	26/06/219	April 25 th 2019
Date Inspection Notice Issued and how published	26/06/2019	14 June
Inspection period begins	27/06/2109	17 June
Inspection period ends	30/07/2019	26 July
Correct length	no	yes
Common period included?	Yes	yes
Summary of rights document on website?	Attached to inspection announcement	Attached to inspection announcement

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.

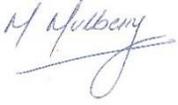
M. TRUSTEESHIP (INTERIM AUDIT)**Internal audit requirement**

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

The Council is Trustee of Charity 200125, Abinger Parish Recreation Grounds. I confirmed that the annual return to 31 March 2019 had been sent to the Charity Commission, and that separate accounts are maintained for the charity . I am satisfied that the Council has met this control objective.

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

Interim Audit - Points Forward

Audit Point	Audit Findings	Council comments
Governance	I recommend the external auditors report and notice of conclusion are taken to council and minuted at the next available opportunity. In addition, the completed full AGAR should also be posted to the website.	
Governance	The councillors will however, need to sign acceptance to receive information by electronic means.	
Agendas	I remind council it is required to also post any supporting documentation with the agendas as outlined by the Information Commissioner's Office (page 3 of this link) ico.org.uk/minutesandagendas.pdf	
Minutes	It was noted the last set of minutes were July 2019 . I recommend the later minutes are uploaded as soon as possible. Final audit – update – the mines to November are now posted up.	
Standing Orders and Financial Regulations	The web site copy needs to be updated.	Completed
Financial Regulations	Para 4. I would perhaps suggest to add a threshold that would allow the clerk to incur expenditure up to say £50 without prior approval.	
Financial Regulations	I remind council that cheque book stubs must be initialled twice to verify the cheque stub agrees to the cheque and the cheque agrees to the invoice being paid. (Financial Regulation 6.5)	
Financial Regulation	I would recommend the Financial regulations are read in detail before the year end to ensure that they match local practice.	
Risk Management	I remind council to ensure this is reviewed and minuted as such on an annual basis. I also remind council to ensure it has a risk management policy in place too.	