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## Signature Details

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<b>Signing Statement:</b>	Angmering Parish Council agrees and approves the contents of this document.

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Our Ref: MARK/ANG001

Mrs K Herr  
Angmering Parish Council  
The Corner House  
The Square  
Angmering  
West Sussex  
BN16 4EA

9<sup>th</sup> May 2019

Dear Katie

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

Following completion of our interim internal audit on the 30<sup>th</sup> October 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 Angmering Parish Council are followed but could do with reviewing and updating. 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 Katie & her team for their assistance and whilst my report contains recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already established 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 Sage & Excel as a day to day accounting package, this is a tried and tested specific bookkeeping package and I whilst make no recommendation to change, the council may want to consider an industry specific package such as RBS Rialtas or Scribe or Advantedge.

The system is used monthly to report on and record the financial transactions of that of the Council. There is a single user with the manager logon and password. The password is not listed nor kept with the chairman for use in the event of staff changes or incapacity. **I would recommend the password is kept on a sealed envelope and kept with the chairman or in the safe in the event of incapacitation of staff changes.**

The clerk/RFO is responsible for all financial transactions of that of the council.

At least monthly various reports are printed and filed in hard copy, these include but are not limited to; receipts and payments, bank reconciliations and other reports as fit. The hard copy reports are kept with the minutes. 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 and logically filed.

My audit testing showed that payments supporting documentation could be readily located from the cashbook records with invoices filed in month order by internet banking batch. I make no recommendation to change in this system.

In respect of receipts, this was a litter harder and **I would recommend a system be put in place to clearly record the audit trail for all receipts to the underling documentation, be it a remittance, invoice, order or minute ref, these documents could be kept in their own receipt folder.**

I tested opening balances as at 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18. There were half a dozen accounts that showed back posted items into 2017/18. These are being investigated and corrected so that they appear in 2018/19. Back posted items will skew the opening reserves and make preparation of the year end accounts harder.

The Council is not VAT registered and the last annual VAT reclaim was for the period ended 31<sup>st</sup> August 2018, which showed a refund position. This also indicates that the council is up to date with its postings on the financial package.

I note that the Council is required by law to follow the 2015 Transparency Code, a review of the web site has shown that the code is in the main being followed; however, the 2018 information needs to be posted. **I recommend this be completed before the end of the calendar year.**

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)**

### **Interim Audit**

External auditors report was qualified in 2017/18 in respect of the adequacy of internal controls and the notice of conclusion will be posted to the council website after the next meeting. In my opinion given the previous internal auditor had comment that the controls had already been improved upon by the year end, this was a harsh comment and perhaps not worthy; however, this not now be changed.

I confirmed by sample testing that Councillors do sign “Acceptance of Office” forms and register of members interests, in line with regulations. These are not readily accessible on the web site. **I recommend these are posted the website by the end of the calendar year.**

Minutes are prepared for all meetings of the Council and its committees:

- Full Council; meets monthly
- CLEW; meets monthly
- Planning; meets 3 weekly on average
- Governance 3 monthly

There are also a number of working groups which meet as and when necessary to cover specific tasks; full council & CLEW have spending powers.

Audit testing proved that agendas are posted to the website with supporting documentation giving at least three clear days’ notice. Minutes are also posted within 30 days of the meeting were agreed to the signed hard copy. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days’ notice. It was however noted there was a little confusion regarding the publication of draft or final minutes to the website. **I suggest council agree a process and apply consistently, if draft minutes are posted to the website there should be a comment to indicate final signed minutes are available upon request. I also recommend the minutes of the past 6 months are reviewed and retrospectively posted again as either draft or final.**

The standing orders and financial regulations are based on the NALC models and are dated 2010 but are in need of review and updating to reflect the current practices of the Council, as it was clear tailoring in the past had not been carried out.

These documents need to be reviewed and updated annually and also posted to the website. **I recommend this is completed prior to the council year end, as the external auditor has been known to ask for the minute references regarding this, and given the external auditor mentioned control issues last year – this is risk area.**

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
- £2,000 - £60,000 3 quotations are required.
- £500 - £2,000 – power to spend with committee consultation
- 0 - £500 – power to spend

There have been no new tenders since April 2018. Audit testing verified that where quotations have been obtained these were taken to committee or council for discussion and review.

The council is performing a monthly bank reconciliation for all accounts and these are filed in hard copy. **I recommend these are reviewed and signed and this activity minuted.** This is in the new financial regulations.

Invoices are batched together and councillors are invited to attend the offices to authorise them and sign the batch control sheet. Audit testing showed invoices and control sheets to be signed.

The council makes payments by cheque, direct debit and bacs. Cheques must be signed by two councillors, interbank transfers can be made by the clerk/RFO. Internet payments are made via the bank website by a single user. There are a couple of issues here.

1. The current financial regulations do not technically allow the council to use internet banking
2. There is an inconsistency between the number of individuals required to authorise a cheque payment (2) and an internet payment (1)

In addition to this, the bank is set up as a single user access system, the office manager logs on to the bank with a card reader and sets up and authorises the payment. There is no natural segregation of duties in place and no limit other than the standard bank limit. Whilst I am not suggesting there has been any instances of error or misstatement – this is a risk area. **I recommend a dual access system is implemented so that the same user cannot both set up and authorise the same transaction.**

Evidence was light in respect of changes to wages/payroll. I recommend that all changes to payroll are authorised by the appropriate committee.

I am of the opinion the council is in part following its own regulations and that any changes to financial regulations are to be considered minor and no indicative of errors in the system, further work will need to be carried out at the year end to review the new updated regulations in place.

#### **Final Audit**

All Other Payments £429,265 (2018: £140,230).

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items, which included the purchase of the flat.

I also reviewed the nominal ledger for evidence of netting off and significant journal entries, the individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

There were no creditors at the year end

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 risk assessments for events, but there was little evidence of a financial risk assessment – **I recommend council complete a risk assessment along the following lines:**

Risk area	Impact	Likelihood of occurrence	Controls in place	Action
Loss of cash	High: Inability to operate	Low	Bank reconciliations Review by members Internal audit	None required

The clerk does not have annual timetable written and **I would recommend this be drawn up over the course of the year to assist with ensuring important annually recurring events are not overlooked.**

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 completed at the time of our interim audit, with all precepting authority deadlines met. A review of the minutes shows discussion and agreement of the same.

However, it was noted that currently no three-year forecast is shown. **I would recommend that council add its 3 year forecast in accordance with financial regulation 3.1 for now this can be a simple % increase, which can then be worked on and reviewed on a rolling basis over the course of the council year, following which it can be dropped in as budget for the next year.**

As at 31<sup>st</sup> December 2017 total reportable income was £2,062,621 (Annual Budget £1,543,206), and expenditure £575,441 (annual budget £1,567,490). The additional income of £500k is down to the maturity of a long term investments, other than this income is as expected. The expenditure is under budget due in the main to the salary budget on external works, £130k, projects £152k, grounds maintenance £370k, Garth park £26k, and sports village £85k. It is very likely that by the end of the year expenditure will be nearer £670k which is still £900k less than budget.

At the end of December, the council had £3.3m in combined bank balances, by the end of the year this will reduce to circa £3.2m of which £1.5k is earmarked leaving a projected general fund balance of circa £1.7m. At a precept level of £1.3m, rule of thumb calculations would indicate that a general reserves balance of circa £650k as adjusted for local conditions would be reasonable. A general reserve of circa £1.7m is excessive, and it is very likely a detailed explanation of these will be required to be submitted to the external auditors. I remind council it does not have the power to accumulate general reserves and **I recommend that council consider its earmarked reserves in the light of its general reserve in readiness for the year end.**

## **Final Audit**

Reserves Carried Forward £222,064 (2018: £215,894)

The council has £101,200 of earmarked reserves and £120,864 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 £167k. The general reserve is a little low but not unreasonable.

All significant variances to budget were explained satisfactorily.

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)**

The council has various streams of income:

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

The precept was received in April 2018 and October 2018. There are no bad or aged debts at the interim audit date.

There are no cash receipts.

## **Final Audit**

Precept income £335,500 (2018: £316,800)

Other income £264,464 (2018: £165,279)

Other income comprises sale of investments, grants and donations. This was tested to underlying documentation and where necessary bank statements. There were no errors.

At the year-end date the council has £18,394 of debtors which was attributable in the main to VAT not reclaimed at the year end 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)**

Petty cash is used for office sundries and has a minimal float.

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 calculates payroll in house, however this is being outsourced in January 2019. The council has four employees and uses the Sage payroll package to calculate the tax and national insurance. Employees are paid with reference with NJC scales for consistency purposes. Audit testing proved the tax deduction was correct at month 7 for an employee drawn at random.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken. Pay increases are based on NJC and are minuted by council. The council has fulfilled its obligations in respect of auto-enrolment LGPS.

#### **Final Audit**

Salaries £164,529 (2018: £167,740)

The amounts shown on the AGAR, were reconcilable to the payroll records, there were no errors and the clerk confirmed the payroll has now been outsourced.

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. The PAYE and NI liability for March 2019 was paid after 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 & FINAL AUDIT)**

#### **Interim Audit**

The Council has a fixed asset register in place. Assets are correctly stated at historic or proxy cost. The register is sufficiently detailed to be used as a working document. I make no recommendation to change in this respect.

The council has a number of investments, these are listed on the asset register and the council does have an investment strategy in place.

CCLA	£25,000
CCLA	£200,000
Hampshire Bank	£70,000
United Bank	£80,000

#### **Final Audit**

Fixed Assets and Investments £1,997,288 (2018: £1,858,758)

PWLB Loan £150,000

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.

The PWLB loan has been agreed to the PWLB statement provided at the 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 five accounts. Reconciliations are completed regularly and there was no evidence of error or misstatement on the reconciliation reviewed.

#### **Final Audit**

Bank & Cash Balances £203,670 (2018: £230,571)

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 five bank accounts, together with petty cash. None of the accounts are long term non cash 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 income & expenditure basis with the box 7 & 8 reconciliation properly completed.

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.

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. TRUSTESHIP (INTERIM AUDIT)**

No trusts.

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

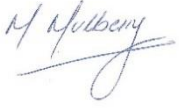
This new internal control objective is not active for 2018-19 financial year. However, I confirmed with the RFO that arrangements are in place at this Council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

<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	13 <sup>th</sup> May
<b>Date Inspection Notice Issued and how published</b>	1 June	27 <sup>th</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

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
Passwords	I would recommend the password is kept on a sealed envelope and kept with the chairman or in the safe in the event of incapacitation of staff changes.	
Receipts	I would recommend a system be put in place to clearly record the audit trail for all receipts to the underling documentation, be it a remittance, invoice, order or minute ref, these documents could be kept in their own receipt folder.	
Payments lists	These need to be put on the website and I recommend this be completed before the end of the calendar year.	
Minutes	<p>I suggest council agree a process and apply consistently, if draft minutes are posted to the website there should be a comment to indicate final signed minutes are available upon request.</p> <p>I also recommend the minutes of the past 6 months are reviewed and retrospectively posted again as either draft or final.</p>	
Standing Orders and Financial Regulations	I recommend these are reviewed and substantially updated before the end of the council year	
Bank reconciliations	I recommend these are reviewed and physically signed and this activity minuted. – See Financial Regulation 2.2 of the new NALC Financial regulations)	
Online banking	I recommend a dual access system is implement so that the same user cannot both set up and authorise the same transaction.	
Risk assessments	I recommend council complete a risk assessment along the following lines:	
Council Calendar	I would recommend this be drawn up over the course of the year to assist with ensuring important annually recurring events are not overlooked.	