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Our Ref: MARK/ANG001

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

31st October 2018

Dear Katie

Re: Angmering Parish Council
Internal Audit Year Ended 31st March 2018

Following completion of our interim internal audit on the 30th October 2018 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 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.

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 31st 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 as risk area. **I recommend a dual access system is implement 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.

C. RISK MANAGEMENT & INSURANCE (INTERIM)

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.

D. BUDGET, PRECEPT & RESERVES (INTERIM & FINAL AUDIT)

TBC at the year end

E. INCOME (INTERIM AUDIT & FINAL)

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.

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

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

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.

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

I. BANK & CASH

The council has two bank accounts. Reconciliations are completed regularly and there was no evidence of error or misstatement on the reconciliation reviewed.

J. YEAR END ACCOUNTS

TBC at the year end

K. Trusteeship

No trusts.

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

Kind regards
Yours sincerely



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.	