



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/NOR002

Mrs P Whitehead
North Horsham Parish Council
Roffey Millennium Hall
Crawley Road
Horsham
West Sussex
RH12 4DT

20th April 2018

Dear Pauline

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

Following completion of our interim internal audit on the 6th December 2017 and our final audit on the 20th April 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.

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 are 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 North Horsham Parish Council are very well established, regulated and followed. The clerk ensures the council follows best practice regulations and has over time adapted and changed 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 entirely fit for purpose and indeed are a model of good practice. I would like to thank Pauline and her team for their assistance and hard work.

Final Audit – Summary Finding

At the final visit we reviewed and performed tests on the following areas:

- Review of annual accounts & annual return
- 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 annual return are ready to be signed off by council and the external auditor and that the annual return is a true and fair reflection of the financial transaction of that of the council for the year ended 31st March 2018. Accordingly, I have signed off the annual return.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The Council continues to use RBS an industry specific accounting package. The RBS system is used daily to report and record the financial transactions of the Council 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.

The clerk/RFO prints off and files in hard copy, bank reconciliation, cashbook, income and expenditure against budget and other reports as fit. This is a clear and easy to follow system and I make no recommendation to change in this process.

My audit testing showed that supporting documentation could be readily located from records recorded on RBS. I make no recommendation to change in this system.

I tested opening balances as at 1.4.17 and confirmed they could be agreed back to the audited accounts for 2016-17.

I confirmed that the Council's last VAT return was for the quarter ended 30th September 2017, the council's returns are up to date.

The Council is required by law to follow the 2015 Transparency Code, a review of the web site shows that the code is being followed, but it was a little tricky to navigate. **I have recommended that it would be sensible to carry out a brief audit against the requirements of the Code to ensure that the Council is fully compliant and to this end I have signposted Crowborough Town Council as a good site to review.** This was completed by the year end

In the light of the new data protection regulations (GDPR) coming into force in May 2018; the council has begun work on this.

I am of the opinion that the council is keeping appropriate books of account.

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT)

Interim Audit

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

Standing orders are based on the NALC model and the council has revised and adopted standing orders in May 2017.

Financial regulations are based on an older NALC model and are dated May 2017. 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.

Financial regulation 2 deals with Accounting and Audit. The clerk/RFO was able to demonstrate the bank reconciliation, bank statement are signed in accordance with regulations and minutes described the activity beyond reasonable doubt.

Financial regulation 3 deals with Annual Estimates (Budget) and Forward Planning council is following regulation; however, **I recommend that the October date is changed to November or December to give breathing space.** This will be taken to the May meeting.

Financial regulation 5 & 6 deal with authorisation and making of payments. The payments list and the minutes show beyond doubt what is being approved, invoices are annotated and checked and an annual list of payments will be drawn up.

Invoices are authorised and a random sample of payments was selected for September 2017. There were no errors and all agreed to the payments list. The council makes payments via cheque, bacs, direct debit & credit card. No cash payments.

The council has an on-line system with Lloyds this has a natural segregation of duties insofar as the same user cannot both create and authorise the same transaction. The payments are entered into the bank system and a payments list produced, this is signed as approved for authorisation.

The credit card is the name of the council and cleared each month in the same manner for supplier invoices.

Salaries are paid via Capita – the council pays capita in the same manner as a supplier invoice.

Final Audit

All Other Payments £187,278 (2017: £192,336).

I have reviewed the expenditure list and year on year the expenditure is very similar and in total has reduced by £5k. Where there was a higher variance explanations were supplied. I also reviewed the nominal ledger for all expenditure accounts there was no evidence of netting off of income.

I am of the opinion that expenditure is properly recorded on the annual return.

C. RISK MANAGEMENT & INSURANCE (INTERIM AUDIT)

The council has a risk assessments and a risk management policy in place in accordance with regulations.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Asset & money cover appears adequate.

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

Interim Audit

In accordance with financial regulation 3, I confirmed that the 2018-19 budget and precept setting process was well underway at the time of our interim audit, with initial budget meetings complete. The 2018-19 budget and precept will be approved by the end of January 2018, so all precepting authority deadlines will be met.

The Council was able to demonstrate that budget monitoring reporting to members is comprehensive, and is appropriately minuted. At the 30th November, total income was £431,624 (Annual budget £478,200). Expenditure £288,673 (Annual budget £496,023). Income and expenditure is broadly in line with budget and it is noticed this is a deficit budget which will reduce available general reserves.

The council has detailed workings on reserves, the reserves position at 30th November is £438k of which £220k are earmarked leaving £218k as a general reserve, it is anticipated this will reduce to circa £60k by the year end. At a precept level of circa £300k general reserves would be expected to be £150k as adjusted for local conditions. A general reserve balance of £60k is far too low and only gives the council one month's cover and no room for emergency expenditure. A review of the earmarked reserves shows that these are appropriately allocated and in the case of the maintenance fund a little low for the buildings and other assets are therefore not available for significant reallocation to general reserve.

It is clear North Horsham Parish Council is a low cost council and prides itself in having a low precept, but the costs of running the council are such that over time the increases in precept have not met inflationary changes in costs. **I would caution the council in making cost reductions as this will impact of the ability to provide valuable community services, in my opinion it is a better strategy to increase precept and thereby increase the spending on the provision of visible services.**

Final Audit

Reserves Carried Forward £322,960 (2017: £297,083)

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 £146k. The council has £106,513 of general reserves and £216,447 of earmarked reserves. I am of the opinion that the general reserve is still low but I note that it is increase year on year.

I am of the opinion reserves are properly monitored.

E. INCOME (INTERIM & FINAL AUDIT)

Interim Audit

Financial regulations state fees must be reviewed annually. Council reviews and minutes. A random selection showed that council is charging the amounts shown on the printed and published lists.

The council has, precept income, grant income, hire income and allotments.

Final Audit

Precept income £293,552 (2017: £282,726)

Other income £206,637 (2017: £195,298)

The precept income was tested to remittance advice notes and bank statements, these were properly received and banked. There are no errors to report.

Other income comprises, grants, interest, lettings. I have reviewed the nominal ledger for lettings and was able to follow this to the sales day book and ultimately to the sales invoices, which were annotated with the date paid. There were no errors.

In total, other income has increased by £11,339 despite a £5.5k reduction in LTSG. The overall increase is due to lettings with hall lettings of £167,814 (2017: £155,263) recorded in the financial accounts. The increase is down to advertising, social media and upselling by the office staff.

I am of the opinion that income is properly recorded.

F. PETTY CASH (FINAL AUDIT)

The petty cash is a float of £150. This is used for office sundries and reconciles to the tin.

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

Employees are paid with reference with NJC scales for consistency purposes. The signed minutes show that council approves changes to wages.

The council has fulfilled its obligations in respect of auto enrolment.

Final Audit

Salaries £273,353 (2017: £291,367)

The payroll is outsourced to an external firm. The amounts shown on the annual return, were reconcilable to the payroll records, there were no errors. I am of the opinion that salaries are correctly stated on the annual return.

H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)

Interim Audit

The Council has a detailed list of assets in the financial accounts and within its working papers a detailed list of individual assets. This is in accordance with regulations.

Final Audit

Fixed Assets and Investments £1,363,624 (2017: £1,360,552)

Total Borrowings £72,155 (2017: £81,731)

Loan & Interest repayments £13,681 (2017: £14,174)

The fixed asset register agreed to the annual return, the register lists the assets, their cost or proxy cost together with insurance values. Assets are correctly stated at historic cost.

It is necessary to restate the 2017 comparative due to street furniture having been omitted in the total sum of fixed assets in error, although they were all correctly listed.

The capital loan balance was verified to the statement from PWLB Debt Management Office. Similarly, the interest and capital repayments were verified to statements.

I am of the opinion that loans and loan repayments are properly disclosed on the annual return.

I. BANK RECONCILIATIONS (INTERIM & FINAL AUDIT)

Interim Audit

I have tested that the bank accounts are being reconciled promptly at the end of each month. I also re-performed the November bank reconciliation. I found no error in the reconciliation.

Final Audit

Bank & Cash Balances £330,675 (2017: £311,674)

At the year-end date the council had a reconciled bank position which was approved and signed in the April meeting. IA reviewed the reconciliation there were £324.14 of outstanding cheques, none of which are aged.

I am of the opinion that bank and cash balances are properly shown on the annual return.

J. YEAR END ACCOUNTS

The year-end accounts have been correctly prepared on the income and expenditure basis, with the box 7 & 8 reconciliation correctly completed.

The annual return correctly casts and cross casts and the comparatives have been correctly copied over from the 2016/17 annual return.

The variance analysis is not required as there are no variances of greater than 15% and £500.

The council has made provision within its schedule of meetings to sign off the annual governance statement and accounts in time to display the notice of electors rights.

I am of the opinion the accounts and annual return will be ready for submission to the external auditor.

K. TRUSTEESHIP

No trusts.

Should you have any queries please do not hesitate to contact me, finally I enclose a fee note for your kind attention.

Kind regards

Yours sincerely

A rectangular area of the document has been redacted with a light grey box, obscuring the signature of Mark Mulberry.

Mark Mulberry