



## MULBERRY & CO

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Our Ref: MARK/NOR002

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

5 November 2018

Dear Pauline

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

Following completion of our interim internal audit on 29 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. Recommendations for future action are shown in the table at Appendix A.

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 Bank Reconciliations
- Compliance with Regulations
- Testing of Income from Hires

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.

## **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. I reviewed the cashbook and confirmed that it was up to date. 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 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18.

I confirmed that the Council's last VAT return was for the quarter ended 30<sup>th</sup> September 2018, the council's returns are up to date. VAT balances on the return were supported by transaction listings from RBS.

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

## **B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS**

### **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.

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, and that significant improvements have been made to the Council website to demonstrate compliance with the Transparency Code since my 2017-18 audit. All relevant information is displayed, and I confirmed by testing that transactional information is up to date.

I confirmed that the Financial Regulations were approved at the May 2018 Parish Meeting. I understand that the clerk is working on a further update to the Financial Regulations, and I provided advice regarding appropriate thresholds for delegated powers to authorise expenditure. I confirmed by sample testing that completed declaration of office forms are in place for councillors.

I checked that the audited 2017-18 annual return has been reported to Full Council and an appropriate minute recorded. The annual return and conclusion of audit notice is properly published on the Council website. Internal Audit reports are being properly considered at Council meetings.

Financial regulation 5 & 6 deal with authorisation and making of payments. The payments list and the minutes show beyond doubt what is being approved. I tested a random sample of payments from the first six months of the 2018-19 financial year, and for all transactions tested I was able to confirm the following:

- Entry on the ledger could be agreed back to invoice
- VAT accounting correct
- Evidence that the invoice had been checked by 2 councilors and this check evidenced by signature
- The payment was traced to a payment list approved at a meeting of the Council.

The council makes payments electronically through the Lloyds current account. The payment system 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 by the Clerk, and a bank payment schedule is then signed off by

2 Councillors. Payment approval is then actioned by the deputy clerk. This system provides proper segregation of duties, and councillor scrutiny of payments.

I was able to view bank signatory listings for the Co-op and Nationwide bank accounts. These are up to date. I recommend that the Clerk obtains a bank signatory listing from Lloyds bank and reviews to ensure these signatories are also up to date.

The Council has a robust process for authorising expenditure in place and my testing confirmed financial regulations are being followed.

### **C. RISK MANAGEMENT & INSURANCE (INTERIM AUDIT)**

#### **Interim Audit**

I have confirmed that the Council has a valid insurance certificate, with the policy with Axa Insurance in date until 31 May 2018. I reviewed the policy, and asset cover appears adequate for a Council of this size, at more than £5.5m. Money cover is a little low at £250K. I suggest this is increased to cover the highest level of cash held by the Council at any one time (generally after receipt of precept).

I recommend that the Finance Committee are informed annually of the value of assets insured. This is due to the high value of assets owned by the Council, such a process provides assurance to councillors that insurance cover is adequate.

The Council has a well-developed risk management process, which covers both a financial risk assessment, and building risk assessments, which are managed on an on-going basis. These are all brought together each May, and a detailed minute records Full Council's review of risk assessments. I confirmed that this review occurred at the May 2018 Full Council meeting, this is sufficient to meet the Council's obligations in the Annual Governance Statement.

### **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 2019, 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. Budget reports are produced for members every 2 months. At 30 September, total non-precept income was £101,753 (Annual budget £183,365). Expenditure £228,431 (Annual budget £500,821). Income and expenditure is broadly in line with budget. I note a small surplus is planned for 2018-19.

I note that the Council has a target to increase the general reserve to £150K, in line with the recommendation I raised last year, and that this will be considered as part of budget setting for 2019-20. I recommend that the Council continues to monitor the level of the general reserve and the repairs and renewal reserves to ensure that there is adequate funding to cover future buildings expenditure and any unforeseen changes to the Council's financial position.

I note that the Council has a Treasury management policy in place, as required by regulation. This is published on the Council's website.

## **E. INCOME (INTERIM & FINAL AUDIT)**

### **Interim Audit**

Financial regulations state fees must be reviewed annually. I confirmed that fees and charges were approved at the meeting of the Finance Committee in February 2018. I recommend that financial regulations are amended to ensure this delegation to Finance Committee is made explicit.

I test a random sample of facility hires from the Council's booking system. For all transactions tested, I was able to confirm that the supplier was invoiced at the approved hire rate, and that VAT was charged correctly.

Debt collection also appears effective. At the time of my audit, debtors stood at £26K. However, only £2K of this was more than 28 days old, and the older debts appeared collectable (Government Departments or local groups not in significant arrears)

Income collection processes as tested are satisfactory.

## **F. PETTY CASH (FINAL AUDIT)**

Test at final accounts

## **G. PAYROLL (INTERIM & FINAL AUDIT)**

Test at final accounts

## **H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)**

Test at final accounts

## **I. BANK RECONCILIATIONS**

### **Interim Audit**

I have tested that the bank accounts are being reconciled promptly at the end of each month. I also re-performed the September bank reconciliation. I found no error in the reconciliation. I was able to confirm that Councillors review all bank reconciliations and that this is evidenced on both the reconciliation and the bank statement. I have one minor recommendation. The meeting minutes recording councillor review of the bank reconciliation should state the cashbook value of the reconciliation.

Bank reconciliations appear to function satisfactorily.

## **J. YEAR END ACCOUNTS**

Year-end task

## **K. TRUSTESHIP**

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

**Mark Mulberry**

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
Check Lloyds Bank account signatories up to date	I recommend that the Clerk obtains a bank signatory listing from Lloyds bank and reviews to ensure these signatories are also up to date.	List obtained and put before F+A 13.12.18.
Money cover is a little low at £250K.	I suggest this is increased to cover the highest level of cash held by the Council at any one time (generally after receipt of precept).	Put before F+A 13.12.18
I recommend that the Finance Committee are informed annually of the value of assets insured.	This is due to the high value of assets owned by the Council, such a process provides assurance to councillors that asset cover is adequate.	Put before F+A 13.12.18
I note that the Council has a target to increase the general reserve to £150K, in line with the recommendation I raised last year, and that this will be considered as part of budget setting for 2019-20.	I recommend that the Council continues to monitor the level of the general reserve and the repairs and renewal reserves to ensure that there is adequate funding to cover future buildings expenditure and any unforeseen changes to the Council's financial position.	Included in 2019/20 budget process and put before F+A 13.12.18
I was able to confirm that Councillors review all bank reconciliations and that this is evidenced on both the reconciliation and the bank statement.	I have one minor recommendation. The meeting minutes recording councillor review of the bank reconciliation should state the cashbook value of the reconciliation	To commence at F+A 13.12.18.