



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

30th April 2019

Dear Pauline

Re: North Horsham Parish Council
Internal Audit Year Ended 31st March 2019

Following completion of our final internal audit on 29 April 2019 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 financial year. 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 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
- Salaries and Wages

Final Audit – Summary findings

We completed the following work at the final audit.

- Review of annual accounts & annual return
- Review of bank reconciliation
- Testing of income and expenditure, second half of financial year

- Review of fixed asset register
- Review of information for external auditor.

I have set out the results of my testing against each of the control objectives set out in the internal audit section of the annual return below.

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 you for your assistance with the audit.

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 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 30th 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.

Final Audit

I agreed the statement of accounts back to annual return reports produced by the Council's accounting system, RBS. I therefore conclude that all figures on the annual return have been correctly derived from the Council's accounting system. Arithmetic has been checked and the accounts cast.

I checked comparative figures for the previous financial year disclosed on this year's annual return back to last year's signed accounts, and can confirm that opening reserves balances, and comparative figures are accurately recorded in this year's annual return.

I also confirmed that VAT is up to date, with the return completed and submitted to HMRC for the period to 31.3.19, and that figures in the return could be agreed to RBS.

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

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

I checked that the audited 2018: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. I confirmed the interim internal audit report had been discussed at the meeting of the Finance Committee in

December, and an action plan was agreed. I have confirmed all recommendations have been actioned, and Council responses are set out at Appendix A below.

Confirm by sample testing that councillors sign statutory office forms

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

Confirm that the Council is compliant with the relevant transparency code.

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 2018:audit. All relevant information is displayed, and I confirmed by testing that transactional information is up to date.

Confirm that the Council is compliant with the GDPR.

As council is aware of GDPR and follows regulations,

Confirm that the Council meets regularly throughout the year

The council has the following committees:

- Full Council; meets circa bi monthly
- Planning, Environment & Transport; meets monthly
- Property; meets bi monthly
- Finance & Administration; meets quarterly
- Personnel; meets quarterly

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks each committee has spending powers.

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 on both web site and hard copy agendas.

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

Minutes are uploaded to the council website.

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.

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

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.

Check that the council's Financial Regulations are being routinely followed.

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 councillors 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.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.86 per elector.

Expenditure is properly shown and within 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 following its own regulations and that any changes to financial regulations are to be considered minor and no indicative of errors in the system.

Final Audit

Non pay expenditure in box 6 to the accounts is £172, 961 (£187,279 2017-18)

I carried out sample testing of further expenditure items from the second half of the financial year. Again, 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 councillors and this check evidenced by signature
- The payment was traced to a payment list approved at a meeting of the Council.

The Council is compliant with the Transparency Code. I confirmed this by sample testing expenditure information, which was up to date at 31.3.19.

I have identified no errors in my testing of expenditure recorded in box 6 to the accounts

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)

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.

Final Audit

All controls were covered at interim audit. I confirmed with the Clerk that the 2019-20 risk assessment is currently being prepared.

I am satisfied that this control objective 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)

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.

Final Audit

I confirmed that the 2019-20 budget was approved at the Full Council meeting of January 2019. Budget and precept was recorded in an appropriate minute. The budget is published on the Council website.

Reserves at year end set out in box 7 to the account were £392,161 (2018: £322,960). Of this £186K is held in general reserves, which is 55% of precept. This is appropriate for a council of this size and type. The remainder is held in a number of earmarked reserves, which include reserves for building repairs / elections. The Council is currently reviewing reserves to ensure balances are appropriate for the Council's needs. This includes a review of capital reserves, to ensure these are adequate to cover asset lives.

I am satisfied that the levels of reserves held by the Council are appropriate for a council of this size and are well managed. I am also content that this control objective has been met.

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)

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.

Final Audit

Precept per box 2 to the accounts is £319,943 (2018: £293,551).

I have confirmed precept income to third party notification on the district council website.

Other income per box 3 to the accounts is £221,252 (2018: £206,638).

I tested a small sample of other income from the second half of the financial year. I was able to confirm for all transactions tested that

- Income booked to the general ledger could be agreed to invoice
- Invoices had been correctly raised using the integrated RBS booking system, and correct rates had been charged as approved by Council.

Debtors at year end were £24K. I reviewed the debtor schedule and confirmed that the majority of this related to March 2019 invoicing. One debtor is being pursued through the courts for non-payment. I am satisfied that the council is collecting income owed to it. I have identified no errors in my testing of income recorded in box 2 and 3 to the accounts

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)

I confirmed with the Clerk that the petty cash is reconciled to expenditure vouchers on a regular basis. It is used for office incidentals.

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)

Staff costs per box 4 of the annual return £285,845 (2018: £273,353)

Payroll is processed using Sage 50 payroll and is processed in house by the RFO. Payroll is then reviewed by the Clerk and signed off by two councillors prior to payment to staff. I tested sample of payroll transactions selected from October 2018 payroll and in all cases I was able to confirm that:

- Rate of pay was correct
- Pay per general ledger could be agreed back to pay slip
- Payslip had been subject to signed authorisation by the Clerk, who is not involved in payroll calculations, and 2 Councillors
- Payment agreed to payslip, once deductions applied
- Basic rate of pay could be agreed to a pay award letter issued to the relevant staff member, signed off by a councillor.

I have identified no errors in my testing of 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)

Fixed assets per box 9 to the accounts are £1,372,852 (2018: £1,363,624).

I have been able to confirm the balance in the accounts to the Council's asset register. I agreed additions to a schedule of new assets added to the asset register there is also evidence of obsolete assets being disposed of.

I tested that one building, North Heath Hall is correctly included in the asset register at a proxy value of £1. I have identified no errors in my testing of fixed assets recorded in box 9 to the accounts

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

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.

Final Audit

Borrowings – box 10 to the accounts £62,500 (£72,115 2017-18)

I have confirmed year end borrowings to third party PWLB balances year statement form PWLB.

Cash and bank – box 8 to the accounts £406,637 (2018: £330,675) I have re-performed the year end bank reconciliation and I was able to agree the bank reconciliation back to bank statements and the RBS cashbook. The reconciliation had not been reviewed by Councillors at the time of my audit, but was due to presented at the next meeting. I have 2 minor recommendations.

Yours sincerely



- Bank statements used for the year end bank reconciliation were dated 29.3.19. 31 March statements should be obtained prior to submission of the accounts for audit.
- The Council should use the RBS bank reconciliation report for bank reconciliations going forward.

Boxes 10 and 8 to the accounts are fairly stated.

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)

I confirmed that the Council has completed a reconciliation between box 7 and 8 of the accounts and that this is supported by schedules of debtors and creditors. A year on year variance report has been completed as required by the external auditors. I confirmed the Council has prepared information requested by external audit.

The Council has completed accounts on the accruals basis, correct for this larger parish council.

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. TRUSTEESHIP (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.

Inspection step	2018-19 Proposed Dates
Accounts approved at full council	14 May
Date Inspection Notice Issued and how published	20 May
Inspection period begins	3 June
Inspection period ends	12 July
Correct length	Yes
Common period included?	Yes

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

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.	The mandate has been obtained from the bank. Bank signatories have been agreed to schedules of officers approved in minutes
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).	Clerk has confirmed cover with the insurers – coverage is up to £500K, and this has been reported to members.
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.	This was done in Decemebr Fiance Committee
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.	Completed as part of precept process for 2019-20
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	Minutes have been amended, this is the standard wording going forward.

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
Bank statements used for the year end bank reconciliation were dated 29.3.19.	31 March statements should be obtained prior to submission of the accounts for audit	Noted 16.5.19 and agreed.
RBS bank reconciliation report would improve bank reconciliations	The Council should use the RBS bank reconciliation report for bank reconciliations going forward.	Noted 16.5.19 and agreed.