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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

27th April 2020

Dear Pauline

Re: North Horsham Parish Council
Internal Audit Year Ended 31st March 2020

Following completion of our interim internal audit on the 19th September and our final audit on the 27th April 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 (if applicable) 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 North Horsham Parish Council are well established, and followed. The Clerk is very experienced and ensures the council follows best practice regulations and has overseen changes to the internal procedures as regulations and technologies have changed to maintain compliance.

3.29

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 Pauline for her assistance and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well ordered 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 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 2020. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The council continues to use the RBS Omega system as a day to day accounting package. This is a tried and tested industry specific package and I make no recommendation to change. The system is used daily to report on 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. There are five users on the booking system and two for the accounting system.

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 tested opening balances as at 1 April 2019 and confirmed they could be agreed back to the audited accounts for 2018/19.

The Council is VAT registered and the last VAT return was for the quarter ended 30 June 2019. The refund amount was received into the bank account on 11 July 2019. This indicates that the council is up to date with its postings on the financial package.

Overall, I have the impression that the accounting systems are well ordered and routinely maintained and as such I make no recommendation to change.

At the interim audit, 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 AND PAYMENTS (INTERIM AND FINAL AUDIT)

Interim Audit

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

At the interim audit date, the external auditors report has not yet been received. The Clerk is aware of the requirement to publish the report on the council's website once received.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors have signed "Acceptance of Office" forms and the Chairman has signed a separate acceptance of office for the role. All councillors have also signed an acceptance to receive information by electronic means.

Register of Members Interests forms have been completed for each councillor and are published on the council's website.

Confirm that the council is compliant with the relevant transparency code

I note that the council is required by law to follow the 2015 Local Government Transparency Code. A review of the web site shows the council is following the regulations and publishes the required information in a format which is simple to understand and easily accessible.

Confirm that the council is compliant with the GDPR

The council is aware of GDPR, and has appointed GDPR Info as its DPO. It was noted that the council does not have common email addresses for councillors. A common email system such as cllr.name@northhorsham-pc.gov.uk is recommended because it gives a natural segregation so it is clear beyond doubt in what capacity a councillor is acting, gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Full Council - meets approximately every two months
- Planning, Environment and Transport – meets monthly
- Property - meets approximately every two months
- Finance and 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. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting.

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

Draft minutes are uploaded to the council website, usually within a few days of the meeting. They are clearly marked draft, and subsequently replaced with final versions once approved.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months

The Standing Orders are based on the NALC 2018 model and were adopted on 16 May 2019, with minor amendments made on 4 July 2019.

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

The Financial Regulations are based on the NALC 2016 model and were adopted on 16 May 2019. Following the new model version released in July 2019, the council intends to review these at committee in October and adopt them at council in November. 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.

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

Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts which includes signing the face of the bank statements, and this activity is minuted in accordance with regulations.

Financial regulation 4 deals with budgetary control and authority to spend. The council has thresholds in place at which authorisations to spend must be obtained.

- Full council – over £5,000
- Finance and Administration committee – between £2,000 and £5,000
- Other committees – up to £2,000

The RFO has delegated authority to spend up to £10,000 in the event of an emergency situation, and any such spend is then reported to council at the next meeting.

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations. Random sampling of payments shows invoices being checked and initialled, with payments easily reconcilable to the payments list.

Financial regulation 6 deals with making payments. The council makes payments predominately via online banking, but also by cheque, direct debit and debit card. There are seven councillors authorised as signatories, with the Clerk and Deputy Clerk also able to sign if required. Cheques must be signed by two signatories. Council approves direct debit payments on an annual basis, and this activity is recorded in the council minutes.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.12 per elector

The council has the General Power of Competence (GPC) and therefore has no section 137 expenditure.

Confirm that checks of the accounts are made by a councillor

Internal Control Working Group has been established to complete regular checks of accounts, including review of the sales and purchase ledgers, bank reconciliations and reserves.

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.

At interim audit, 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.

Final Audit

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items. There was a £7,232 increase year on year in expenditure against the amenity, recs and open spaces account due to an increase in grass cutting fees; however, this has in part been offset by a decrease of £4,230 on the Holbrook Recreation Centre. The year on year variance of £24,308 shown for box 6 is due in the main to repairs and renewals expenditure for which there was a brought forward earmarked reserve.

Creditors are listed below

• Trade creditors	£29,797	(2019: £37,082)
• Accruals	£2,260	(2019: £2,070)
• Receipts in advance	£nil	(2019: £110)

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 AND INSURANCE (INTERIM AUDIT)

Interim Audit

The council undertakes a full risk assessment that covers health and safety, operational and financial risks. This is reviewed on an annual basis. The document is comprehensive and takes into account the perceived level of risk, controls in place and other actions the council has taken to mitigate risk.

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, with a fidelity guarantee set at £500,000.

At interim audit, 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 AND RESERVES (INTERIM AND FINAL AUDIT)

Interim Audit

The 2020-21 budget and precept setting process is scheduled to begin in September, with each committee outlining their own budget requirements which are subsequently reviewed by the Finance and Administration committee and adjusted as required. A final draft is recommended by the Finance and Administration committee in December, with approval confirmed by Full Council in January.

Council set a precept for 2019/20 of £327,769 and receives no Council Tax Support Grant. General guidance recommends a general reserve of circa 50% of precept, adjusted for local conditions. The council held a general reserve of £186,000 at the start of the year.

The council also holds a number of clearly itemised earmarked reserves, and through discussion with the Clerk, these all appear to be for projects which are likely to come to fruition.

At interim audit, 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.

Final Audit

The council has £439,593 of reserves of which £230,057 is general and £209,536 is earmarked. 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 £165k.

The councils detailed working on reserves shows the correct bfwd reserve of £392,162 and the correct cfwd reserve of £439,593. The movement of £47,431 agrees to the AGAR and is categorised as follows:

- Income £556,142 and
- Expenditure £508,711 – of which
 - £35,241 is expenditure against bfwd earmarked reserves
- Transfers to earmarked reserves from general reserves were £38,823

It is noted there is a minor variance of £57 between the councils details reserves working and the system generated printouts from the RBS package as already highlighted by the Clerk, this has been corrected.

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 AND FINAL AUDIT)

Interim Audit

Other than the precept, the council also receives income through room hire, grants and allotment fees.

Any cash payments received by the council are receipted and placed in an envelope. Where another staff member is available, this is double checked at the time. Cash received is kept in a locked drawer and banked weekly, or sooner if the amount is significant.

A review of the sales ledger shows only one item outstanding for more than three months, which the council is pursuing through formal court action, otherwise has minimal amounts outstanding. The payment ledger is well managed and demonstrates the controls the council has in place.

At the interim audit, 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.

Final Audit

The precept income was tested to remittance advice notes. The CIL grant that was received in the same payment has been correctly shown in box 3 of the AGAR. There are no errors to report.

In total, other income has increased by £7,121 year on year this is due in the main to income from a CIL grant of £11,053 (agreed to remittance) and a decrease in Hall lettings in the Roffee Millennium Hall.

At the year-end date the council debtors were as follows:

- Sales Ledger £13,413 (2019: £24,107)
- VAT refunds £1,218 (2019: £679)

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)

The council has a float of £150 and is balanced on a regular basis, at least quarterly. This was reviewed at the interim audit date, and it is clear this is used for small sundries and is not significant or material.

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 AND FINAL AUDIT)

Interim Audit

The council uses an external firm who complete salary calculations and make BACS payments on behalf of the council. On a monthly basis, the council provides overtime details to the external firm, and then upon receipt of the external company's report, confirms its accuracy.

The council has a Members Allowances scheme for elected members, some of whom have chosen to opt out. Allowances are correctly paid through payroll on a quarterly basis. Any expenses for staff or councillors are paid upon receipt of a completed and authorised expenses form.

At interim audit, 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 AND FINAL AUDIT)

Interim Audit

The council has a fixed asset register in place. Assets are correctly stated at historic or proxy cost, and includes information in relation to anticipated replacement costs and insurance values. The document is very thorough and more than adequate for a council of this size. The council also produces a regular inventory, which is cross referenced to the asset register.

At interim audit, I am of the opinion that the control objective of "Asset and investments registers were complete and accurate and properly maintained" has been met.

Final Audit

The loan interest and capital repayments were agreed to PWLB debt management letters and the closing balance to the end of year statement letter. There were no errors.

The Council does not hold any long term investments i.e. over 1 year. Any addition to the asset register is normally with a cost value greater than £1,000.

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.

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 AND CASH (INTERIM AND FINAL AUDIT)

Interim Audit

At the interim audit date the council had a reconciled bank position which has been signed in accordance with Financial Regulations, reported to council and recorded in the minutes. The reconciliation is checked and signed by a councillor.

At interim audit, 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.

Final Audit

At the year-end date the council had a reconciled bank position. The council has six active bank accounts, together with petty cash. None of the accounts listed are non-cash investments and as such do not need to be disclosed in box 9 of the AGAR. I have reviewed the reconciliation and confirm there were no outstanding lodgements or payments and that all balances agreed to the bank statements provided.

The movement year on year in bank and cash balances is not greater than 15% and as such does not need to be disclosed on the report of significant variances.

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 2018-19 AGAR.

Agar Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	322,960	392,161	Agrees to 2018/19 signed AGAR
2	Precept or Rates and Levies	319,943	327,769	No significant variance – agrees to Income & expenditure account and precept remittances.
3	Total other receipts	221,252	228,373	No significant variance
4	Staff costs	285,845	298,747	No significant variance
5	Loan interest/capital repayments	13,188	12,695	No significant variance – agrees to PWLB statements
6	All other Payments	172,961	197,269	No significant variance
7	Balances carried forward	392,161	439,592	Casting agrees & not greater than twice box 2. Agrees to balance sheet. General reserve £230,057 Earmarked £209,535
8	Total value of cash and short term investments	406,637	457,018	No significant variance – agrees to reconciliation
9	Total fixed assets plus long term investments and assets	1,372,852	1,378,730	No significant variance – agrees to register
10	Total borrowings	62,500	52,884	No significant variance – agrees to PWLB statement

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)

The council has no trusts.

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

Due to the Covid 19- Outbreak the statutory deadlines have been changed as follows:

The publication date for final, audited, accounts will move from the 30 September to 30 November 2020 for all local authority bodies. To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of July has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020.

This means that draft accounts must be approved by 31 August 2020 at the latest. However, they may be approved earlier, and we would encourage councils to do so wherever possible, to help manage overall pressure on audit firms towards the end of the year.

Authorities must publish the dates of their public inspection period, and given the removal of the common inspection period and extension of the overall deadlines for this year, it is recommended that all authorities provide public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2019/20 accounts.

The regulations implementing these measures were laid on 7 April and are due to come into force on 30 April 2020.

The Relevant dates as set by North Horsham Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	April 2018 Full Council	TBC
Date Inspection Notice Issued and how published	1 June	21 st August 2020
Inspection period begins	4 June	27 th August
Inspection period ends	13 July	12 th October
Correct length	Yes	yes
Common period included?	Yes	yes
Summary of rights document on website?	Attached to inspection announcement	Attached to inspection announcement

I am satisfied the requirements of this control objective were met for 2018-19, and assertion 4 on the annual governance statement can therefore be signed off by the Council.

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

Kind regards
Yours sincerely

Mark Mulberry

