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Mrs P Whitehead  
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RH12 4DT

23<sup>rd</sup> April 2021

Dear Pauline

**Re: North Horsham Parish Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2021**

**Executive Summary**

Following completion of our interim internal audit on the 30<sup>th</sup> September 2020 & our final audit on the 23<sup>rd</sup> April 2021 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. **Testing requirements are shown in Red** and where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified, followed by recommended minimum testing requirements. Each section is then concluded with an opinion as to whether the assertion has been met or not.

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

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 Rita for her 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 well ordered system.

It is therefore our opinion that the systems and internal procedures at North Horsham Parish Council are well established, and followed and the AGAR will be ready for submission to the external auditor.

### **Regulation**

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. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit’s function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.

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.

### **Independence & Competence**

Your audit was conducted by Mark Mulberry of Mulberry & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor is a qualified practicing accountant with over 20 years’ experience as a registered statutory auditor.

### **Engagement Letter**

An engagement letter was issued on the 1<sup>st</sup> September 2020 covering the 2020/21 internal audit assignment. Copies of this document are available on request.

### **Planning & Inherent Risk Assessment**

The scope and plan of works including fee structure was issued to the council on the 1st September 2020 under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR.

- There have been no instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is my opinion that the inherent risk of error or misstatement is low and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be “walk through testing” on sample data to encompass the period of the council year under review.

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## A. BOOKS OF ACCOUNT (INTERIM AUDIT)

### **Internal audit requirement**

*Appropriate accounting records have been properly kept throughout the financial year.*

#### **Recommended Minimum Testing**

- Ensure the correct roll forward of the prior year cashbook balances to the new financial year
- Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained

The Council continues to use RBS 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 regularly to report on and record the financial transactions of that of the Council. There are five users on the booking system and two for the accounting system.

Every month, a month end hard close down is performed and various reports are printed and filed in hard copy, these include but are not limited to; Income and expenditure against budget, cashbooks, bank reconciliations and other reports as fit. This is a clear and easy to follow system and a review of the cashbook shows that all data fields are being entered.

I tested the opening balances as at 1/4/20 by reviewing the balance brought forward on the receipts page on the RBS accounting package for cashbook one and confirmed it could be agreed back to the investment reconciliation for the audited accounts for 2019/20; both documents showed £201,784.74. There were no errors.

I reviewed the nominal ledger for the period and can confirm there is no evidence of netting off in the period April to September 2020.

The Council is VAT registered and the last VAT return was for the quarter ended 30<sup>th</sup> June 2020, which showed a refund position of £2,436.28. This was submitted to HMRC in July 2020 and the refund received on the 10/07/20. This also 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.

#### **Section Conclusion**

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)

### **Internal audit requirement**

*This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.*

#### **Recommended Minimum Testing**

- Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version.
- Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents)
- Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation
- Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments
- Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements
- Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place

### **Interim Audit**

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

External auditors report & notice of conclusion of audit for 2019/20 have at the time of the internal audit not been provided by the external auditor.

*Confirm by sample testing that councillors sign statutory office forms*

I confirmed by sample testing that Councillors sign "Acceptance of Office" forms and the web site shows the Register of Disclosable Pecuniary Interests (with signatures redacted).

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

The Council is required by law to follow the 2015 Transparency Code, insofar as gross annual income has breached £250,000. A review of the web site has shown that the council is following the code in a clear easy to read format which is to be applauded.

*Confirm that the Council is compliant with the GDPR.*

As council is aware of GDPR and has a clearly defined and accessible privacy notice on its website. It was noted the Council has a ".gov" email, but not for councillors. **It is recommended that Councillors have a council email address such as [cllr.name@northhorsham](mailto:cllr.name@northhorsham).....** because it gives a natural segregation between work and personal lives, making it clear beyond doubt in what capacity a councillor is acting. In addition to this it 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.

The Council confirmed in its 19<sup>th</sup> March meeting that decision making powers be delegated as follows it was RESOLVED to agree a scheme of delegation whereby urgent decisions would be facilitated by agreement of the Chairman of the Council, Vice Chairman of the Council, Chairman of the Finance and Administration Committee and the Clerk. Should one of those people be unavailable for any reason, substitutions could be made with the Chairman of the Planning, Environment and Transport Committee or the Chairman of the Property Committee and the Deputy Clerk. Any decision made would be communicated to the Council and ratified as soon as possible after the decision had been made. If possible, the views of the Council would be sought prior to the decision, but this may not be practical.

Following a recommendation by the Clerk, it was RESOLVED that in order for payments to be made in a timely manner, the list of payments would be sent to at least two Councillors who are authorised to verify payments for e-mail agreement. Those asked to sign off the payments would be able to request to see a copy of any invoice they chose. Large or unusual payments would be highlighted. All payment lists that were authorised in this way would be signed and authorised retrospectively as soon as possible.

The clerk advised us of the following. Roffey Millennium Hall closed in March 2020 and staff worked at home until July 2020 only visiting the office to collect post, telephone messages and files. They have some staff who are in the clinically vulnerable group who had to take additional precautions. From July, whilst staff came into the building to work, they have only done so on a part time basis as the caretakers were furloughed. Staff were and are still working part of their hours at home. In October 2020 the office opened every morning, but not for the public. Councillors then came in to sign the payments. During lockdown, I would take a photograph of the list of payments prepared for the bank and send them to Councillors for authorisation with some explanation of what the payments were for. Councillors could ask for a copy of any invoice they wished to see.

*Check that agendas for meetings are published giving 3 clear days' notice.*

A review of the web site agendas shows that at least 3 clear days' notice is given. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance.

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

Unsigned minutes are uploaded to the council website and these agree to the signed versions as supplied by the clerk.

*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 and are dated 2<sup>nd</sup> July 2020 [Minute ref FC/492/20].

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

Financial regulations are based on the NALC model and are dated 2<sup>nd</sup> July 2020 [Minute ref FC/492/20]. 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. "On a regular basis, at least once in each quarter, and at each financial year end, a member other than a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council."

The council is performing a monthly bank reconciliation for all accounts and evidence has been obtained for June, July & August 2020 for this. I am able to confirm that the face of the reconciliation and back statement are signed and minuted as such 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.

I was able to test the following items with assistance from the Clerk and prove the items to copies of the invoices, payments sheets and minutes

Date	Payee Name	Reference	Amount	Invoice authorised	Payment agreed	Minuted
03/04/2020	Grasstex Ltd	030420201	£1,525.68	Agrees to invoice & properly authorised	Agrees to payments sheet	(PR/086/19) & (FC/344/19)
14/04/2020	British Gas Business	DD	£1,327.12	Agrees to invoice & properly authorised	DD	Annual DD
27/05/2020	N. Simmonds	327052020	£1375.00	Agrees to invoice & properly authorised	Agrees to payments sheet	Preferred supplier
07/05/2020	Leadbeater locks	070520-01	£53.14	Agrees to invoice & properly authorised	Agrees to payments sheet	Urgent Clerk purchase
27/05/2020	Came & Co	127052020	£9,109.25	Agrees to invoice & properly authorised	Agrees to payments sheet	FA/223/18
11/06/2020	D. Lees	111062020	£38.70	Agrees to invoice & properly authorised	Agrees to payments sheet	Staff expenses authorised by line manager
20/07/2020	T C Maintenance	0520072020	£895.00	Agrees to invoice & properly authorised	Agrees to payments sheet	Preferred supplier
10/07/2020	Incor Group Management Ltd	310072020	£273.00	Agrees to invoice & properly authorised	Agrees to payments sheet	Preferred supplier

*Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.32 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. In addition to this, finance & administration committee receives regular reports of the key financial areas and these reports are available on the council website. Again, this is to be applauded.

#### **Final Audit**

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items. I also reviewed the nominal ledger for evidence of netting off and significant journal entries, the individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

At the year-end date the council has £30,496.25 (2020: £32,056.74) of creditor.

#### **Section Conclusion**

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 AUDIT)

### **Internal audit requirement**

*This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.*

#### **Recommended Minimum Testing**

- Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc
- Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security
- Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation

### **Interim Audit**

The Council has a risk strategy in place and monitors and reviews risk on an ongoing basis in accordance with best practice regulations. The council is aware of and has policies in place to mitigate financial risk. The last risk review was carried out in July 2020. There are some medium risks and high risks – associated with Covid 19.

The council does ensure play areas are monitored and these form part of the regular risk assessments.

The Council is insured with AXA on a standard local authority deal. I confirmed the policy was in date at the time of my audit. Money and asset cover appear adequate, with a fidelity guarantee set at £500,000

### **Section Conclusion**

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)

### **Internal audit requirement**

*The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.*

#### **Recommended Minimum Testing**

- Ensure that the full Authority, not a Committee, has considered, approved and adopted the annual precept in accordance with the required parent Authority timetable
- Ensure that budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances
- Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances
- Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process
- Ensure that the precept in the accounts matches the submission form to the relevant authority and the public record of precepted amounts

### **Interim Audit**

The clerk has confirmed that the budget setting process is underway and is being conducted in accordance with best practice regulations.

I have confirmed that in accordance with regulations regular reporting of budget against expenditure is carried out. In addition to this there is clear evidence in the minutes of the finance committee discussing reserves and future cash burn.

The council currently has £204k of earmarked reserves and is planning on a small surplus budget for the council year ended 31<sup>st</sup> March 2021.

### **Final Audit**

The council has £443,928 of reserves of which £227,027 are earmarked reserves and £216,901 are general reserves. 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 £167k. The reserves of the council are slightly high but not significant.

I was pleased to see the detailed working and evidence of reserves being utilised. I am of the opinion that general reserves are reasonable and properly reported on.

All significant variances to budget were explained satisfactorily.

I confirm that full council approved the precept and budget for the 2020 and 2021 council years in advance of statutory deadlines.

### **Section Conclusion**

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)

### **Internal audit requirement**

*Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.*

#### **Recommended Minimum Testing**

- Review "Aged debtor" listings to ensure appropriate follow up action is in place
- Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.
- Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates)
- Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised
- Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time
- Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income
- Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked

### **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.

The precept was received in April 2020 and the nominal ledger shows regular monthly sale ledger updates.

### **Final Audit**

The precept income was tested to remittance advice notes and application for payment. The local tax support grant has been correctly shown in box 3 of the AGAR. There are no errors to report.

I have reviewed the income list which is broadly similar to the prior year after accounting for one of income items. I also reviewed the nominal ledger for evidence of netting off and significant journal entries, the individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

At the year-end date he council has £8,410.21 (2020: £14,631.18) of debtors of which £4,657.37 pertains to VAT.

### **Section Conclusion**

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)

### **Internal audit requirement**

*Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.*

#### **Recommended Minimum Testing**

- A number of Authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a "Not applicable" response is frequently required in this area.
- Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc)
- Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held
- Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held
- Ensure that VAT is identified wherever incurred and appropriate
- Physically check the petty cash and other cash floats held
- Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till "Z" total readings

The council has a float of £150 and is balanced, at least quarterly, it is clear this is used for small sundries and is not significant or material.

Petty cash expenditure is presented monthly to a Council meeting for approval.

#### **Section Conclusion**

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)

### **Internal audit requirement**

*Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.*

#### **Recommended Minimum Testing**

- Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract
- Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability
- Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours
- Ensure that appropriate tax codes are being applied to each employee
- Where free or paid for software is used, ensure that it is up to date.
- For the test sample of employees, ensure that tax is calculated appropriately
- Check the correct treatment of Pension contributions to either the Local Government pension scheme ( non - taxable, deducted from the gross salary or DC schemes like NEST which already allow for tax deductions
- For NI, ensure that the correct deduction and employer's contributions are applied: NB. The employers allowance is not available to councils but may be used by other authorities
- Ensure that the correct employers' pension percentage contribution is being applied
- Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies

### **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.

The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS.

Monthly and year-end PAYE and NI deductions and returns have been submitted online, on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review. The PAYE and NI liability are paid on time.

I tested the tax deduction for an employee – there were no errors.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken.

### **Final Audit**

The amounts shown on the AGAR, were reconcilable to the payroll records, there were no errors. The furlough grant has been correctly shown as other income

**Section Conclusion**

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)

### **Internal audit requirement**

*Asset and investments registers were complete and accurate and properly maintained.*

#### **Recommended Minimum Testing**

##### Tangible Fixed Assets

- Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets
- Physically verifying the existence and condition of high value, high risk assets may be appropriate
- Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement
- Additions and disposals records should allow tracking from the prior year to the current
- Ensure that the asset value to be reported in the AGAR at Section 2, Box 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and /or disposals
- Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or "self-insured" by the Authority

##### Fixed asset investments

- Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the "Investment Strategy" and reported as Assets in the AGAR at Section 2, Box 9.

##### Borrowing and Lending

- Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired
- Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt
- Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at Section 2 Box 5
- Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the AGAR at Section 2, Box 10 (value should be verified via the DMO website)
- Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt

### **Interim Audit**

The Council records fixed assets on an excel based fixed asset register, with all assets correctly recorded at cost or proxy cost. This system is sufficient for a council of this size and I make no recommendation for change.

All additions have been identified separately and have been added to the register correctly at cost.

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.

### **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 fixed asset register agrees to the AGAR. The asset register was up to date with all relevant assets as at the current financial year end.

**Section Conclusion**

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)

### **Internal audit requirement**

*Periodic and year-end bank account reconciliations were properly carried out.*

#### **Recommended Minimum Testing**

- Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members
- Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, Section 2, Box 8.
- Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.

#### **Interim Audit**

At the interim audit date the clerk provided us with reconciliations for June, July & August for all three bank accounts. I reviewed these and found no evidence of reconciling errors or aged payments nor lodgements.

#### **Final Audit**

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation there were no errors and it could be agreed to the year-end bank statements.

The council has five bank accounts, together with petty cash. None of the accounts are long term investments and as such do not need to be disclosed in box 9 of the AGAR.

#### **Section Conclusion**

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)

### Internal audit requirement

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.

#### Recommended Minimum Testing

- Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein
- Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end

The council, at its meeting to sign off the year-end accounts, must discuss the Annual Governance Statement and record this activity in the minutes of the meeting. Based on the internal audit finding, I recommend using the table below as the basis for that discussion. THIS MUST BE A SEPARATE AGENDA ITEM TO THE SIGNING OF THE ANNUAL ACCOUNTS.

### Section 1 – Annual Governance Statement

	Annual Governance Statement	'Yes' means that this authority	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	<b>YES</b> – income & expenditure accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	<b>YES</b> – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	<b>YES</b> – the Clerk is experienced and advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	<b>YES</b> – the requirements and timescales for 2018/19 year-end were followed.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	<b>YES</b> – the council has a risk management scheme and appropriate external insurance.

6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	<b>YES</b> – the council has appointed an independent and competent internal auditor has completed two audits during the year.
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	<b>YES</b> – where matters are raised, action taken by council is recorded in the minutes.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements.	<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	<b>YES</b> – no matters were raised during the internal audit visits.
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	<b>N/A</b> – no trusts

## Section 2 – Accounting Statements

Agar Box Number		2019/20 Restated	2020/21	Auditor Notes
1	Balances brought forward	392,161	439,592	Agrees to 2020 cfwd
2	Precept or Rates and Levies	327,769	335,194	Agrees to third party evidence provided to auditor
3	Total other receipts	228,373	101,188	Agrees to underlying records
4	Staff costs	295,477	272,742	Agrees to underlying records
5	Loan interest/capital repayments	12,695	12,203	Agrees to underlying records
6	All other Payments	200,539	147,101	Agrees to underlying records
7	Balances carried forward	439,592	443,928	Casts correctly
8	Total value of cash and short term investments	457,018	466,014	Agrees to reconciliation
9	Total fixed assets plus long term investments and assets	1,378,730	1,381,841	Agrees to register
10	Total borrowings	52,884	43,269	Agrees to third party evidence provided to auditor
11	For Local Councils Only) Disclosure note re Trust funds (including charitable)	YES	NO ✓	

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 2019-20 AGAR. **I recommend the council also submit with the AGAR an explanation for the restated figures.**

The variance analysis was required because there were variances greater than 15% and £500. This was prepared on a summary table basis showing in the main an explanatory narrative. **The external auditor will reject this as they are looking for a greater level of financial & narrative data showing the majority of the variance. Smaller individual items below the thresholds can be omitted and aggregated together as “all other items below the thresholds” I would recommend the analysis is updated.**

The council had made provision within its schedule of meetings to sign off the annual governance statement.

### Section Conclusion

I am of the opinion 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. LIMITED ASSURANCE REVIEW (INTERIM & FINAL AUDIT)

### **Internal audit requirement**

*If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")*

Not applicable

## L: TRANSPARENCY (INTERIM & FINAL AUDIT)

### **Internal audit requirement**

*If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/ webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.*

Not applicable

## M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

### **Internal audit requirement**

*The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).*

#### **Recommended Minimum Testing**

- IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.
- IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

Due to the Covid 19 outbreak during the 2020/21, the statutory deadlines had been changed for the 2019/20 AGAR as follows:

The publication date for final, audited, accounts was moved 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 was removed. Instead, local authorities must have commenced the public inspection period on or before the first working day of September 2020.

This meant that draft accounts must be have been approved by 31 August 2020 at the latest.

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 (SI 2020/404 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020) implementing these measures were laid on 7 April 2020 and came into force on 30 April 2020.

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.

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require that the statement of accounts prepared by the authority (i.e. the Annual Governance & Accountability Return (AGAR) Part 2), the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records must be made available for inspection by any person interested, during a period of 30 working days set by the smaller authority and including the first 10 working days of July.

Inspection - Key date	2019-20	2020-21
Accounts approved at full council	2 <sup>nd</sup> July 2020	TBC
Date Inspection Notice Issued and how published	21 <sup>st</sup> August 2020	20 <sup>th</sup> May
Inspection period begins	27 <sup>th</sup> August	7 <sup>th</sup> June
Inspection period ends	12 <sup>th</sup> October	16 <sup>th</sup> July
Correct length	yes	yes
Common period included?	yes	yes
Summary of rights document on website?	Attached to inspection announcement	Attached to inspection announcement

#### Section Conclusion

I am of the opinion that the control assertion of *“The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set):”* has been met.

## N. PUBLICATION REQUIREMENTS (INTERIM & FINAL AUDIT)

### **Internal audit requirement**

*The authority has complied with the publication requirements for 2019/20 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:*

#### **Recommended Minimum Testing**

- IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.
- IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

*Before 1 July 2021 authorities must publish:*

- *Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;*
- *Section 1 - Annual Governance Statement 2020/21, approved and signed, page 4*
- *Section 2 - Accounting Statements 2020/21, approved and signed, page 5*

*Not later than 30 September 2021 authorities must publish:*

- *Notice of conclusion of audit*
- *Section 3 - External Auditor Report and Certificate*
- *Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.*

*It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.*

I have reviewed the council website and am under no doubt the council properly published the year end documentation on its website.

#### **Section Conclusion**

I am of the opinion that the control assertion of "The authority has complied with the publication requirements for 2019/20 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:" has been met.

## O. TRUSTEESHIP (INTERIM AUDIT)

### **Internal audit requirement**

*Trust funds (including charitable) – The council met its responsibilities as a trustee.*

Not applicable - No trusts.

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

Kind regards

Yours sincerely



**Mark Mulberry**



**Audit - Points Forward**

Audit Point	Audit Findings	Council comments
Governance	Consider .gov emails for councilors.	

**Final Audit - Points Forward**

Audit Point	Audit Findings	Council comments
List of significant variances	<p>The external auditor will reject this as they are looking for a greater level of financial &amp; narrative data showing the majority of the variance. Smaller individual items below the thresholds can be omitted and aggregated together as "all other items below the thresholds".</p> <p>I would recommend the analysis is updated.</p>	
AGAR	I recommend the council also submit with the AGAR an explanation for the restated figures	

