



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/EAS006

Mrs S Tate
East Wittering & Bracklesham Parish Council
Beech Avenue
Bracklesham Bay
Chichester
West Sussex
PO20 8HU

26th April 2019

Dear Sam

Re: East Wittering & Bracklesham Parish Council
Internal Audit Year Ended 31st March 2019

Following completion of our internal audit on the 26th 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 year to date. Where appropriate recommendations for future action are shown in bold underlined text.

Audit – Summary Findings

At the 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 annual accounts & annual return
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of fixed assets and investment register

It is our opinion that the systems and internal procedures at East Wittering & Bracklesham Parish Council are being carefully reviewed to ensure correct practices are followed. The Clerk has been in post since April 2018, and has methodically reviewed systems and procedures, updating and installing best practice ideas as appropriate. This process is ongoing.

The council has existing policies and procedures which have been followed correctly and I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose. I would like to thank the Clerk for her hard work during the year, particularly for the ongoing improvements and efficiencies she is striving to achieve. There are some recommendations for change included in the report and summarised at the end.

I am of the opinion that the annual accounts and annual return are ready to be signed off by council and the external auditor and that the annual return is a true and fair reflection of the financial transaction of that of the council for the year ended 31st March 2019. Accordingly, I have signed off the annual return.

A. BOOKS OF ACCOUNT

The council changed systems from Excel to RBS on an income and expenditure basis in November 2018, with support from RBS provided to rekey the current year's transactions. Day to day accounting entries are processed by the Assistant Clerk. The Clerk produces a hard copy and electronically a bank reconciliation, a payments list and authorisation list together with monthly budget monitoring. There are no previous year comparison figures on RBS due to the change of system during the year.

There were no issues reported in the last independent internal audit completed in 2017. During 2018, the internal audit was completed by the staff member processing the financial transactions, which the Clerk has identified as high risk and therefore arranged for independent auditing again. The income and expenditure basis used by the council is entirely fit for purpose and I see no reason to make any recommendation to change. The Clerk is aware of the impending Making Tax Digital (MTD) requirements and this was a mitigating factor in the decision to change to RBS.

B. FINANCIAL REGULATIONS AND PAYMENTS

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

The council's current Financial Regulations were adopted in May 2018 and are based on the NALC model, with minimal changes. The Clerk is aware of a new set of model Financial Regulations currently being prepared by NALC and will use these as a basis for any future updates. FR 4.1 outlines authorisation levels for council, duly authorised committee and clerk in conjunction with chairman. **There is a gap in the authorisation levels for amounts between £500 and £1,000 and I would recommend this is amended when the Financial Regulations are next updated.**

Check that the council's Financial Regulations are being routinely followed by tracking some sample payments
Invoices are annotated with BACS or cheque, amount, date of payment and two signatories. In respect of invoice and payment authorisation, invoices are signed by two councillors and payments have to be authorised by two councillors – this is in accordance with councils own Financial Regulations. The council have recently moved to processing most payments by BACS. Payments are input online twice monthly and authorised by two councillors. This process will be further checked for security and efficiency during the interim audit.

The payment schedule as reported in the minutes is posted to the council website within the supporting papers and minutes to the meeting, this is in accordance with the Local Government Transparency Code requirements and ensures all payments are made available to the wider public. Where applicable personal information is redacted.

The minutes of the meeting record the dates of the payments on the schedule but not the amount authorised, and I would recommend including this information in future minutes.

The council has issued cheques in the year. Cheque number 002499 was reviewed, noting the cheque stubs have been initialled twice although the invoice had no councillor authorisation on it. The payment was included on the schedule for the next council meeting. This cheque was from early in the financial year. Further checking of later invoices show that the Clerk purchased an authorisation stamp and subsequent invoices are all clearly stamped and appropriately authorised, so I am satisfied that payments are now being authorised in accordance with Financial Regulations.

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

The council had section 137 expenditure of £2,807.07 during year. There are 2,367 electors in the parish, so the amount is comfortably within threshold. The expenditure is recorded under a separate nominal code and is for items appropriate for section 137.

Confirm that checks of the accounts are made by a councillor.

Monthly reviews are completed by a councillor in accordance with Financial Regulation 2.2. The outcome of the reviews are reported to the next council meeting.

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

The council revised its Standing Orders in November 2017 to the NALC model. These were further reviewed and adopted in June 2018.

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

The council routinely posts up its minutes to its web site within 30 days of the meeting, should changes be required as notified at later meetings the minutes are updated.

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. This is in accordance with regulations.

Confirm that the Parish Council is compliant with the Data Protection Act 1998 and that plans are being put in place to comply with GDPR 2018.

The council arranged for an independent GDPR audit in 2018 which resulted in a series of recommendations. As a result, the council now uses Microsoft Exchange and SharePoint for file sharing with councillors, who have been provided with tablets exclusively for council business. Councillors also all have generic @eastwitteringbrackleshampc.org.uk email addresses. A suite of policies have been adopted and are published on the council's website.

Check the publication of councillor's contact details etc.

The website gives a short biography of each councillor, with a generic enquiries email for contact to be passed on through the office. **Register of Members' Interest forms are held in hard copy in the office but are not on the website. I recommend the new versions completed after the election in May are added to the council website.**

I am of the opinion that the council has robust policies and procedures in place and follows these. I make no recommendation to change.

C. RISK MANAGEMENT AND INSURANCE

The council does not have a financial risk assessment, and this needs to be put in place as a matter of urgency. The Clerk has been provided with a template and this will be reviewed at the interim audit.

I have confirmed that the council has a valid insurance certificate. The existing policy is due to expire on 1 June 2019 and the Clerk is in the process of obtaining quotes for renewal. **Review of the insurance policy shows a fidelity guarantee limit of £250,000 which is insufficient based on the balances held by the council. I would recommend increasing this amount to ensure the balances held are covered as part of the renewal process.**

D. BUDGET, PRECEPT AND RESERVES

Reserves Carried Forward £410,980 (2018: £220,422)

General guidance recommends a general reserve of approximately 50% of precept. The council currently holds £146,194 in general reserve (106% of precept). The council acknowledges that this is higher than recommended and has plans to spend £18,000 from the general reserve during 2019/20 and to create new earmarked reserves for the Neighbourhood Plan (£10,000) and Elections (£6,000).

The remaining reserves are clearly earmarked for specific purposes. A large amount has been received for CIL over the last three years (£160,000) and the council has plans for spending this money on local improvements.

I am of the opinion reserves are properly monitored.

E. INCOME

Precept income £137,800 (2018: £137,800)

Other income £420,159 (2018: £1,142,960)

The precept income was tested to bank statements, these were properly received and banked. There are no errors to report. Other income has reduced significantly as a result of the completion of the community hall project.

Other income comprises hall hire, land leases, open space income, grants, new homes bonus. I have reviewed the cashbook and was able to agree receipts to remittances and bank statements. There were no errors.

I am of the opinion that income is properly recorded.

F. PETTY CASH

The council holds £200 in petty cash held, used primarily to pay for window cleaner and ad-hoc handyman work. It is balanced as minimum on a quarterly basis, with a cheque written to cash to top up as required. To be tested during the interim audit.

G. PAYROLL

£47,332 (2018: £54,795)

The council has two employees and uses an external payroll company as its BACS provider. The payroll is reconcilable to the annual return.

Both staff members have signed contracts based on the NALC model contracts. The latest SCP changes were agreed by council at the March meeting to take effect from 1 April.

H. ASSETS AND INVESTMENTS

Fixed Assets and Investments £1,714,882 (2018: £1,658,109 restated)

Loan Interest & Capital £1,834 (2018: £1,834)

Total Borrowings £24,729 (2018: £25,425)

The fixed asset register is in template form and the figures agree to the annual return. Last year's figure has been restated as a result of reviewing and updating the list. The register lists the assets, their cost or proxy cost together with insurance values. Assets are correctly stated at historic cost. New purchases during the year include an outdoor gym, MUGA, new flooring in the community room, new chairs, curtains and office furniture.

The PWLB loan and loan repayments were verified to statements from debt management.

I. BANK RECONCILIATIONS

Bank & Cash Balances £414,091 (2018: £201,167)

The council received CIL income of £143,000 along with New Homes Bonus of £21,000 during the last financial year, accounting for most of the increase in the balance position.

At the year-end date the council had a reconciled bank position which will be approved in the May meeting. I have reviewed the reconciliation there were no errors.

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

J. YEAR END ACCOUNTS

The year-end accounts have been correctly prepared on the income and expenditure basis, with a bank reconciliation confirming the difference of boxes 7 and 8.

The annual return correctly casts and cross casts and the comparatives have been correctly copied over from the 2017/18 annual return.

The Clerk is aware of the need to complete the variance analysis for any boxes where there is a difference of 15% or more.

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

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

K. TRUSTEESHIP

The council has no trusts.

L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

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 - Key date	2017-18 Actual	2018-19 Proposed
Accounts approved at full council	14 June 2018	13 June 2019
Date Inspection Notice Issued and how published	15 June 2018 on website and noticeboards	14 June 2019 on website and noticeboards
Inspection period begins	18 June 2018	17 June 2019
Inspection period ends	27 July 2018	26 July 2019
Correct length	Yes	Yes
Common period included?	Yes	Yes
Summary of rights document on website?	Yes - Attached to inspection announcement	Yes - Attached to inspection announcement

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. Finally I enclose a fee note for your kind attention.

Kind regards
Yours sincerely

SUMMARY OF RECOMMENDATIONS FOR REVIEW AT INTERIM AUDIT

Audit Point	Audit Findings	Council comments
Financial Regulations and Payments	FR 4.1 outlines authorisation levels for council, duly authorised committee and clerk in conjunction with chairman. There is a gap in the authorisation levels for amounts between £500 and £1,000 and I would recommend this is amended when the Financial Regulations are next updated.	
Financial Regulations and Payments	The minutes of the meeting record the dates of the payments on the schedule but not the amount authorised, and I would recommend including this information in future minutes.	
Financial Regulations and Payments	Register of Members' Interest forms are held in hard copy in the office but are not on the website. I recommend the new versions completed after the election in May are added to the council website.	
Risk Management and Insurance	The council does not have a financial risk assessment, and this needs to be put in place as a matter of urgency. The Clerk has been provided with a template and this will be reviewed at the interim audit.	
Risk Management and Insurance	Review of the insurance policy shows a fidelity guarantee limit of £250,000 which is insufficient based on the balances held by the council. I would recommend increasing this amount to ensure the balances held are covered as part of the renewal process.	