



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 PC
Bracklesham Barn
Beech Avenue
Bracklesham Bay
PO20 8HU

Date 28th October 2019

Dear Sam

Re: East Wittering & Bracklesham Parish Council
Internal Audit Year Ended 31st March 2020

Following completion of our interim internal audit on the 28th October 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 text and summarised 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 and 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 East Wittering & Bracklesham Parish Council are well established, and followed. The Clerk is 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.

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 Sam for her assistance, and for resolving all of the points raised at the previous audit, 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.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The council continues to use RBS for recording the day to day transactions of the council. 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. My audit testing showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

The council is VAT registered. The last reclaim was for the period ending 30 September and this was received and verified against the bank account on 18 October 2019. The council is up to date with its postings.

I tested opening balances as at 01/04/19 and confirmed they could be agreed back to the audited accounts for 2018/19.

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 date, 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

The external auditors report was qualified in 2018/19, highlighting the same issues identified by the year end internal audit. This was reported to council at the October 2019 meeting. The notice of conclusion of audit and audited AGAR have been posted to the council website.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors sign "Acceptance of Office" forms and Register of Members Interests, in line with regulations. The councillors have also signed acceptance to receive information by electronic means.

Confirm that the council is compliant with the relevant transparency code

I note that the council is not required by law to follow the 2015 Local Government Transparency Code. All councils are encouraged to follow the code to provide greater transparency for the public and to reduce the potential of Freedom of Information (FOI) requests. A review of the web site shows that the council is following the code and transparency data is easily accessible on the website to comply with the requirements of the code.

Confirm that the council is compliant with the GDPR

The council is aware of GDPR and has undergone training. It was noted the council has common email addresses internally and for Councillors, which is recommended because it gives a natural segregation between personal and councillor business, 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. The council has appointed an external Data Protection Officer (DPO) and has a Privacy Notice and GDPR policies on the website. These provide detailed information on the council's approach to obtaining, holding and using personal data.

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Full Council – meets monthly (except August and January)

- Planning Committee – meets every three weeks
- Assets and Open Spaces Committee – meets monthly
- Staffing Committee – meets twice per year (with other meetings if required)

The Council also has a Neighbourhood Plan Working Group, Events Working Group and a Vision Working Group.

The Assets and Open Spaces Committee has delegated authority to spend up to £5,000. All other spending is authorised by Council.

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. It was noted that the supporting documentation referred to in the agendas is also posted to the website.

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

Draft minutes are typically published within a few days of the meeting, with a disclaimer stating they are draft and subject to amendment and adoption at the next meeting.

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 (2018 version) and were last reviewed and adopted by council in May 2019.

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

The Financial Regulations are based on the NALC model (2016 version) and were last reviewed and adopted by council in May 2019. 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. The Clerk is aware of the later July 2019 model version and will use these for future revisions.

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 and this is minuted at council meetings 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.

- £5,000 and over - Full council approval
- £1,000 to £5,000 – Duly delegated committee of the Council
- Up to £1,000 - Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee

Financial Regulation 5 deals with authorisation of payments. From sample checking, minutes show authorisation of payments lists in accordance with regulations and invoices are signed by a councillor.

Financial regulation 6 deals with making payments. The council makes payments predominately online with occasional cheque payments and some direct debit payments. The on-line banking system has a natural segregation of duties between the originator and authoriser of transactions. Cheques must be signed by two individuals. The Council holds a debit card which is for the sole use of the Clerk and limited to £500 per transaction as per Financial Regulations. The Council also has a number of direct debit payments and **Council is reminded that these have to be renewed by Council at least every two years.**

Financial regulation 7 deals with approval and authorisation of salaries, the minutes and files show evidence of authorisation of changes and of wages generally.

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 a section 137 budget of £5,000, which is within limits.

Confirm that checks of the accounts are made by a councillor

The system noted above details internal review takes place. 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 not indicative of errors in the system.

At interim audit date, 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 AND FINAL AUDIT)

Interim Audit

The Clerk has implemented a full risk assessment that covers operational and financial risks. This reviewed and adopted by council in June 2019.

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 Public Liability cover of £15million, Employers' Liability cover of £10million and an increased Fidelity Guarantee cover of £500,000 following the recommendation at the previous audit.

At the interim audit date, 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

I confirmed that the 2020-21 budget and precept setting process has started, with the intention to agree the final budget and precept at the December council meeting.

The council is developing a Vision, aligned with the District and County Councils, which will inform future spending requirements. There is a three year budget plan on the accounting system, based on an incremental percentage increase, and this will be updated pending the Vision document.

As at the interim audit date, the council had spent £128,351 against an expenditure budget of £214,590. This represents a 59.8% spend year to date and indicates that the budget was appropriately set and has been adhered to during the year.

The Council holds circa £280,000 in a number of clearly defined earmarked reserves, including for CIL and New Homes Bonus. These particular EMR's have been allocated a year of receipt of the funds, which represents good practice to determine the date by which the money must be spent.

Through planned use of its general reserve during the budget setting process, the Council anticipates its general reserve being circa £85,000 by the year end. General guidance recommends a general reserve of circa 50% of precept, adjusted for local conditions, and this would represent an appropriate level by the year end for the Council.

At the interim audit date, 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 has the following streams of income:

- Bracklesham Barn income
- Lease income from land
- Event hire

Both parts of the precept have been received and verified to the bank statement. There is also a Council Tax Support Grant (CTSG), which has been allocated correctly on the accounting system.

At the interim audit date, 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 petty cash float of £200 which is used for window cleaning, odd job man and other incidental expenses. The petty cash is balanced every quarter. This will be checked at the year-end audit.

G. PAYROLL (INTERIM AND FINAL AUDIT)

Interim Audit

Payroll is processed by an external third party, with payments being made by the council and authorised in the same way as other payments. Both staff members are paid through the payroll on an NJC scale. Checks of the PAYE and NI deductions will be completed at year-end. There are no councillor allowances except the Chairman’s allowance.

At the interim audit date, 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 fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR at the financial year end. The asset register is very comprehensive and includes all the required information.

At the interim audit date, 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 as at the end of September 2019 which has been signed in accordance with Financial Regulations and was reported to council. I have reviewed the reconciliation and there were no errors.

At the interim audit date, 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)

To be tested at year end.

K. TRUSTEESHIP (INTERIM AUDIT)

The council has no trusts.

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

To be tested at year end.

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

Kind regards

Yours sincerely

A Beams

Andy Beams