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Mrs T Euesden  
Storrington & Sullington Parish Council  
The Parish Hall  
Thakeham Road  
Storrington  
West Sussex  
RH20 3PP

Date 30<sup>th</sup> April 2020

Dear Tracey

**Re: Storrington & Sullington Parish Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2020**

Following completion of our interim internal audit on the 28<sup>th</sup> October 2019 and final audit on the 30<sup>th</sup> April 2020 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.**

Due to the COVID-19 restrictions in place at the time of the final audit, this was carried out remotely, and I would like to thank Tracey for ensuring all of the requested information was sent through in a timely fashion to allow this process to be completed.

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 Storrington & Sullington 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 Tracey 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 and AGAR
- Review of bank reconciliation
- Review of income
- Review of salaries
- 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 transactions of the council for the year ended 31<sup>st</sup> March 2020. Accordingly, I have signed off the AGAR.

#### **A. BOOKS OF ACCOUNT (INTERIM AUDIT)**

The council continues to use AdvantEdge for recording the day to day transactions of the council. On average there are approximately twenty payments and thirty receipts per month. The Clerk produces electronic and hard copies of key documents. 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 completed for the period up to September 2019 and the refund amount was received on 25<sup>th</sup> October and verified to the bank statement. The council is up to date with its postings.

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

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 not qualified in 2018/19. This will be reported to council at the meeting on 30<sup>th</sup> October 2019. The notice of conclusion of audit and audited AGAR have yet to be 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 not signed acceptance to receive information by electronic means, although they do receive information in this format. **I recommend obtaining councillors agreement using the suggested wording "As per Schedule 12 of the Local Government Act 1972, I consent to the receipt of all council meeting papers by electronic methods. I understand I may withdraw this consent at any time."**

*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. 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 in parts (missing salary ratio and asset register) 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 on the website. This provides 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
- Recreation and Property Committee – meets monthly
- Infrastructure, Communications and Environment Committee – meets monthly
- Planning and Development Committee – meets monthly

The council also has a Climate Change and Air Quality Working Party which has just been formed.

All standing committees have delegated spending authority.

*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 not posted to the website. **I remind council it is required to also post any supporting documentation with the agendas as outlined by the Information Commissioner's Office** (page 3 of this link)

[ico.org.uk/minutesandagendas.pdf](http://ico.org.uk/minutesandagendas.pdf)

*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 and final minutes are uploaded to the council website once approved. Draft minutes are clearly labelled as such.

*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 August 2019.

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

The Financial Regulations are based on the NALC model (2019 version) and were last reviewed and adopted by council in August 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.

*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
- £500 - £5,000 - Duly delegated committee
- Under £500 – Clerk in conjunction with Chairman of Council or Chairman of 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 is single user, but the Council has in place a system where payments are entered and checked against the BACS list by Council before being released. Cheques must be signed by two individuals. **Council is reminded that the renewal of direct debit payments must be confirmed by Council at least every two years (Model FR 6.7).**

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 section 137 spending and 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.

#### **Final Audit**

It was noted that further to the comments made in the interim report, some supporting documentation is now posted on the council's website alongside agendas. I remind council that this is a requirement of the Information Commissioner's Office.

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 council undertakes a full risk assessment that covers operational and financial risks. This was last 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 £12million, Employers' Liability cover of £10million and a Fidelity Guarantee cover of £500,000.

##### **Final 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**

I confirmed that the 2020-21 budget and precept setting process is due to start, with the intention to agree the final budget and precept at the January 2020 council meeting.

The council has developed a Neighbourhood Plan over the last five years, which contains an element of a business plan, but has no current no three-year financial forecast is shown. **I would recommend that the council adds its 3-year forecast and this is aligned to the council's business plan.**

As at the interim audit date, the council had completed a review of its income and expenditure and is projected to be on track for the year end.

The council holds circa £110,000 in its general reserve and a further **£25,000 is held for earmarked purposes, although this requires clearer definition to establish beyond doubt the purpose for which the funds are being held.**

The council is reminded of the protection available to it via the Financial Services Compensation Scheme (FSCS) and is encouraged to review its current banking arrangements.

### **Final Audit**

At year-end, the council had circa £207,000 in general reserves and a further circa £119,000 in three separate earmarked reserves, each now clearly defined for specific purposes. General guidance recommends an appropriate level of general reserve as 50% of precept, adjusted for local conditions. The level of general reserve held is therefore higher than the recommendation, but not unreasonable for a council of this size.

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:

- Hall hire and football pavilion hire
- Mobile phone mast income
- Sports club rental income
- Allotment income

Both parts of the precept have been received and verified to the bank statement. There is no Council Tax Support Grant (CTSG).

### **Final 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.

## **F. PETTY CASH (INTERIM AUDIT)**

The council has a petty cash float of £100, used for incidental expenses such as key cutting, padlocks, tea and coffee for meetings. On average, the float is balanced every two months and topped up as required. This will be checked at year-end audit.

### **Final Audit**

Due to the COVID-19 restrictions in place at the time of the final audit, a detailed check of the petty cash was not completed.

However, based on the evidence provided and the council's other procedures, I am content that 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**

Payroll is processed internally using the HMRC online pay tools, with payments being made by BACS by the council and authorised in the same way as other payments. The Clerk and Deputy Clerk are paid through the payroll on an NJC scale. Part-time employees are paid on an hourly rate. Checks of the PAYE and NI deductions will be completed at year-end. There are no councillor allowances except the Chairman's allowance.

#### **Final Audit**

A review of the accounting records made available remotely confirms the total salary costs as accurately recorded on the AGAR. Detailed checking of PAYE and NI deductions was not possible, and this will be checked at the next audit.

I am of the opinion that salaries are correctly stated on the AGAR and that the control objective 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 register contains the bare minimum information and I would recommend it is updated to fulfil the requirements of the NALC model Financial Regulations.

The register itself is not just a simple list of assets, it is a tool that enables the council to physically control the assets by way of regular inspection. It enables the council to plan for future replacement, and importantly to ensure assets are not over or under insured.

#### **Final Audit**

The total on the asset register was checked and found to match that entered on the AGAR for 2019-20.

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 and will be reported to council in November 2019. I have reviewed the reconciliation and there were no errors.

#### **Final Audit**

At the year-end audit date, the council had a reconciled bank position across all its accounts. There was one unrepresented item as at 31 March 2020.

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 and expenditure basis, and the AGAR correctly casts and cross casts.

The explanation of variances has been completed with sufficient detail and explanations provided for variances in excess of 15% for boxes 2, 3, 6, 7 and 8. At the time of the year-end audit, the AGAR figures presented for checking were as below:

AGAR Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	137,689	271,173	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	175,577	230,577	Confirmed against precept amount received
3	Total other receipts	157,208	50,371	Confirmed against accounting records
4	Staff costs	85,908	92,097	Confirmed against accounting records
5	Loan interest/capital repayments	16,648	16,649	Amount verified to PWLB records
6	All other payments	96,745	117,256	Confirmed against accounting records
7	Balances carried forward	271,173	326,119	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	267,539	319,115	Confirmed against reconciliation report
9	Total fixed assets plus long term investments and assets	1,770,585	1,770,585	Total matches asset register
10	Total borrowings	160,515	151,364	Amount verified to PWLB statement

I am satisfied that the control objective "Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records" 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 Storrington & Sullington Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	26 June 2019	27 May 2020 – subject to confirmation
Date Inspection Notice Issued	31 May 2019	To be confirmed
Inspection period begins	3 June 2019	To be confirmed
Inspection period ends	12 July 2019	To be confirmed
Correct length	Yes	Yes
Common period included?	Yes	Yes
Summary of rights document on website?	Yes	Yes

The requirements of this control objective were not met for 2018-19, and assertion 4 on the annual governance statement can therefore not be signed off by the council, as the meeting date for the accounts to be approved

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

Kind regards

Yours sincerely

*A Beams*

Andy Beams