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Our Ref: MARK/SOM001

Mrs C Stephenson
Sompting Parish Council
Old School House
Harriet Johnson Centre
Loose Lane
Sompting
West Sussex
BN15 0BG

14th May 2019

Dear Carol

Re: Sompting Parish Council
Internal Audit Year Ended 31st March 2019

Following completion of our interim internal audit on the 3rd December 2018 and year-end audit on 14th May 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 tables 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 flowing 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 Sompting Parish Council are well established, and followed. The Clerk is very experienced and ensures the council follows best practice regulations and has overseen changes to the internal procedures as regulations and technologies have changed to maintain compliance.

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 Carol and her team for their

assistance and whilst my report contains recommendations to change these are not indicative of any 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 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 twice a month to report on and record the financial transactions of that of the Council. There is a single user with their own individual logons. The access details are stored securely on the Clerk's computer, the RBS package is on the laptop. The council is a small council and as such the Clerk is responsible for all the financial transactions of that of the council.

To coincide with the scheduled committee meeting 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, the hard copy reports are easy to read and logically filed. My audit testing showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

I tested opening balances as at 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18.

The council is not VAT registered and the last VAT return was for the period ended 31st March 2018, which showed a refund position. The council reclaims VAT on an annual basis.

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

External auditors report was not qualified in 2017/18. This was reported to full council on the 12th September. Evidence was also noted in the minutes of the internal auditor's report being reviewed and accepted. The notice of conclusion of audit and audited AGAR have not been posted to the council website. **I recommend the notice of conclusion and the signed AGAR are posted to the website.** This was checked and found to have been posted at the year-end audit.

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.

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

I note that the Council is not required by law to follow the Local Government Transparency Code; however, a review of the website has shown that the code is being followed.

Confirm that the Council is compliant with the GDPR.

The council is aware of the GDPR. It was noted the council introduced common email addresses internally 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.

Confirm that the Council meets regularly throughout the year

The council has the following committees:

- Full Council; meets monthly

- Amenities and Environment; meets Monthly
- Centre; meets monthly
- Planning; meets 2 weekly
- Finance; meets monthly

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, within budget.

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

The RFO 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. I was noted that the supporting documentation referred to in the agendas was not posted to the website. **I remind council it is required to also post any supporting documentation with the agendas.** At year-end audit, it was discovered this is yet to be implemented, due to a lack of resources. A new fully DDA accessible website has now been provided and the Clerk anticipates implementing this recommendation this year. To be checked at the next internal audit.

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

Draft and final minutes are uploaded to the council website. A review of the July council meeting showed the minutes to agree to the signed copy held on file.

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 May 2018.

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

Financial regulations are based on the NALC model and are dated May 2018. 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 in accordance with regulations.

The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is as listed below.

- £25,000 + Tender Process
- £5,000 - £25,000 3 quotations are required.
- £500 - £5,000 – strive to get 3 estimates
- 0 - £500 – power to spend

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.

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations.

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit, on-line banking. Cheques must be signed by two individuals.

I discussed the purchasing system with the RFO vis-à-vis financial regulations 4, 5 and 6 and ascertained that the regulations are being followed at a local level as described below:

1. Regular and recurring expenditure (rent, rates, wages, light and heat, contractual spend etc.) is known and authorised in advance (budget setting or tender process). These are, in the main, paid via direct debit, standing order or on-line banking.
2. An ad hoc expenditure requirement is identified and noted to the Clerk/RFO – this can be from a number of sources and depending on the financial amount will be discussed in advance with council, committee or chair. If required, this is approved in advance by council committee before the expenditure incurred. My audit testing showed via the minutes that there is where appropriate discussion of expenditure before the orders are placed.
3. The order is made via the office – councillors are not allowed or permitted to place amend or vary orders.
4. The supplier invoice, when received, is reviewed by the office and payment sheet populated, this is cross checked by the Clerk. This is then batched in the payments folder ready for the next meeting. My audit testing showed that the payments sheet is populated.
5. Payments are made by cheque or bacs on a day to day basis. Councillors invited to attend the office to sign the cheques (2 signatures) bacs payments set up by the office and authorised by the Clerk. The bank system is a single access system. **The Clerk is aware this is a risk area and is investigating a dual access system.** At year-end audit, the Clerk confirmed that the council is changing banks to one which requires a dual entry system for online payments. To be reviewed at the next internal audit.
6. Supplier invoices are posted to the finance package.
7. The batch of supplier invoices and payment list is taken to the meeting. Councillors are all given a payments list at the meeting for review. Councillors are then invited to sign off the payment sheet as attached to the invoice and the summary payments list is signed by the chair.

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 & does not exceed the annual per elector limit of £7.86 per elector.

The council has no S.137 expenditure.

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

The system noted above details internal review takes place and councillor, committee and council level. 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 no indicative of errors in the system. I am therefore of the opinion that the control assertion “This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for” has been met.

C. RISK MANAGEMENT AND INSURANCE (INTERIM AUDIT)

Interim Audit

The council undertakes a full risk assessment that covers operational and financial risks, these are taken to council as and when required. The Clerk was able to demonstrate risk assessments are carried out.

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.

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 2019-20 budget and precept setting process was underway at the time of our interim audit. There is no indication that the budgets will not be ready to be signed off in time for the January deadline to be met.

As at the end of November total reportable income was £99,203 (Annual Budget £94,765), and expenditure £76,809 (annual budget £145,425). The additional income is due to hall fees, VAT refund and festival income. The 2019/20 budget has accounted for these extras where applicable. The expenditure is under budget due in the main to asset maintenance.

The council has circa £160k in the bank at the interim audit date of which earmarked reserves are £57,790 at the interim audit date. Rule of thumb calculations suggest that 50% of precept is reasonable for a general reserve this equates to circa £50k. The council has put in deposit £85k with the Nationwide.

The clerk was able to demonstrate regular budget monitoring is taken to council.

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.

Year-end audit

The council held a general reserve of £70,000 at year end. This is slightly higher than the recommended 50% of precept, but not unreasonable for a council of this size.

Earmarked reserves are clearly annotated for purpose and regularly reviewed by the council as part of their budget setting process. The largest amounts are for the centre extension and car park (£35,000), building maintenance (£7,300) and elections (£6,000).

E. INCOME (INTERIM AND FINAL AUDIT)

Interim Audit

The council has various streams of income:

- Precept (circa 85% of all income)
- Rentals
- Grants
- Festival income
- Interest

The precept has been received. The council last reviewed its annual charges in September 2018. Audit testing showed that fees charged per the sales ledger agree to the annual charges sheet or lease documentation as appropriate.

At the audit date there was circa £800 of aged debts. These are being chased by the Clerk. There is no evidence of incorrect netting off, nor were there significant numbers of journal corrections.

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.

Year-End Audit

Precept £82,700 (2018: £82,700)

Other income £33,111 (2018: £22,230)

Precept income was verified against a remittance advice and bank statements and correctly receipted on 1st April as a single lump sum payment.

There is no council tax support grant, with other income predominately made up of the hire of rooms (£13,000), a rate rebate (£10,000) and income from the Sompting Festival (£4,000).

F. PETTY CASH (INTERIM AUDIT)

The council has a small float of £30, used for sundries. Audit testing showed the expenditure recorded to be as expected and reasonable.

G. PAYROLL (INTERIM AND FINAL AUDIT)

Interim Audit

The council uses an external firm to calculate the tax and national insurance. There are no pensions, all employees have opted out.

Employees are paid with reference with NJC scales for consistency purposes. I tested the tax deduction for a full time employee – there were no errors.

Monthly 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 for September 2018 quarter was paid on time.

All council employees are paid through the payroll for all council work undertaken. No employees are paid separately for any other council work undertaken. No casual labour payments. No councillor allowances.

I am of the opinion 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.

Year-End Audit

Staff costs £44,593 (2018: £42,654)

Staff costs were correctly recorded and assigned to box 4 on the AGAR.

H. ASSETS AND INVESTMENTS (INTERIM AND FINAL AUDIT)

Interim Audit

The council has a fixed asset register in place. Assets are correctly stated at historic or proxy cost. The fixed asset register has been maintained in an Excel spreadsheet. The asset register was up to date with all relevant assets as at the current financial year end.

The Council does not hold any long term investments i.e. over 1 year.

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

Year-end Audit

Total fixed assets £97,533 (2018: £95,773)

The total on the fixed asset register matches the AGAR. New entries on the register during the year include a defibrillator, bench and a sofa donated to the council.

I. BANK AND CASH (INTERIM AND FINAL AUDIT)

The council has three bank accounts two held with HSBC and one Nationwide. I re-performed the 18th October bank reconciliation for the current account. I found no error in the reconciliation.

I am of the opinion that the control objective of "Periodic and year-end bank account reconciliations were properly carried out" has been met.

Year-end Audit

Total cash and investments £140,154 (2018: £136,937)

J. YEAR END ACCOUNTS (FINAL AUDIT)

The year-end accounts have been correctly prepared on the receipts and payments basis, with no requirement of a box 7 and 8 reconciliation.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2017/18 AGAR. There are no rounding errors on the accounting statement.

The variance analysis explanations have been provided where required for boxes 3 and 6. Other payments have increased due to the installation of a new fire safety system including emergency lighting (£8,000) and a contribution to a Health and Wellbeing Officer (£2,000).

The council has no PWLB borrowing and therefore boxes 5 and 10 are correctly completed as nil.

I am of the opinion the AGAR is a true and fair reflection of the financial transactions of that of the council for the year ended 31st March 2019 and that the accounts and AGAR will be ready for submission to the external auditor.

K. TRUSTEESHIP (INTERIM AUDIT)

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 Clerk 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	13 June 2018	12 June 2019
Date Inspection Notice Issued and how published	14 June 2018 on website and noticeboards	13 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.

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

Kind regards
Yours sincerely

A Beams
Andy Beams

Interim Audit – Review of points identified at interim visit

Audit Point	Audit Findings	Council comments
Governance	I recommend the notice of conclusion and the signed AGAR are posted to the website.	This was checked and found to have been posted at the year-end audit.
Agendas	I remind council it is required to also post any supporting documentation with the agendas.	At year-end audit, it was discovered this is yet to be implemented, due to a lack of resources. A new fully DDA accessible website has now been provided and the Clerk anticipates implementing this recommendation this year. To be checked at the next internal audit.
On-line Banking – dual access	The clerk is aware this is a risk area and is investigating a dual access system.	At year-end audit, the Clerk confirmed that the council is changing banks to one which requires a dual entry system for online payments. To be reviewed at the next internal audit.