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/WES005

Mrs S Pinder
West Horsley Parish Council
95 The Street
West Horsley
Guildford
Surrey
KT24 6DD

19th December 2019

Dear Sam

Re: West Horsley Parish Council
Internal Audit Year Ended 31st March 2020

Following completion of our interim internal audit on the 19th December 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.**

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 & 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 West Horsley Parish Council are well established, and followed. 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.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The Clerk/RFO continues to use excel to report the financial transactions of the council and while the council has circa 10 financial transactions per month it lends itself to the use of a simplified excel based system. The accounting entries are entered regularly onto the excel accounting system, and accounts are reconciled monthly and reported to council, the entries are clear and logically presented.

The IT system is on the cloud (VCT). The back-up is tested annually. The computer has dual access passwords and these are noted down in a sealed envelope in the event of the clerk's incapacity.

The council does not have an internal office guide, to detail step by step the office procedures. **The clerk may want to consider this as part of resilience planning.**

At month end or coincide with the scheduled committee meetings the clerk reports on expenditure and bank reconciliations. These are filed as hard & pdf copies in month order. This is a clear and easy to follow system and a review of the cashbook shows that all data fields are being populated so the reader can garner an understanding of the nature and scope of the transactions.

My audit testing showed that supporting hard copy documentation could be located from the system entries and I was also able to locate the system record from the hard copy documentation.

I tested opening balances as at 01/04/2019 and confirmed they could be agreed back to the audited accounts for 2018/19.

The Council is not VAT registered and the last VAT reclaim was for the period ended 31st March 2018. The March 2019 return is in the process of being submitted.

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)

Interim Audit

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

The external auditors report was not qualified in 2018/19, this was taken together with the notice of conclusion taken to full council in October 2019. Both documents have also been posted to the website. This is in accordance with regulations.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that Councillors sign "Acceptance of Office" forms, "register of members interests" and "notice to receive information by electronic means" - all in line with regulations**. The new appointees will need also to sign the electronic means notice.**

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 Transparency Code.

Confirm that the Council is compliant with the GDPR.

The council is aware of the GDPR. It was noted the Council does have common internal email addresses. This 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.

I recommend the council publish a privacy notice on its website.

Confirm that the Council meets regularly throughout the year

The council has the following committees:

- Full Council; meets circa monthly

There are working parties and groups which meet as and when necessary to cover specific tasks.

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.

Check the draft minutes of the last meeting(s) are on the council's website
Minutes are uploaded to the council website. The website copy agreed to the signed set retained in the clerk's office.

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 were readopted in September 2019 as evidenced in the minutes.

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations.
Financial regulations are based on the NALC model and were readopted in September 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 in accordance with regulations

The de-minimis limit recorded in the Financial Regulations Para 11.1.h for the competitive purchase of items and services is as listed below. These are reasonable for a council of this size.

- £25,000 + Full Tender Process
- £3,000 - £25,000 3 quotations are required.
- £100 - £3,000 – 3 estimates are required.
- £0 - £100 – 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. It is noted that the thresholds for authority to spend at para 4.1 are as follows:

- Over £5,000 – prior approval by full council
- £500 - £5,000 – prior approval by committee or council
- £0 - £500 – the Clerk & chair together

I would recommend the lower threshold is split to allow the clerk to spend up to say £100 without the need for consultation and then between £100 and £500 authorisation on conjunction with the chairman.

It was noted the emergency spending threshold at para 4.5 is £500**.** This is reasonable for a council of this size.

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 and direct debit, standing order and on-line banking. Cheques must be signed by two individuals. The online banking system is set up such that the originator of the transaction cannot authorise the same transition. This provides a natural segregation of duties and is best practice.

I discussed the purchasing system with the Clerk vis-à-vis financial regulations 4, 5 & 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 & heat, contractual spend etc.) is known and authorised in advance (budget setting or tender process). These would be expected to be paid, in the main, via direct debit, standing order or on-line banking.

2. An ad hoc expenditure requirement is identified and communicated to the clerk – this can be from a number of sources and depending on the financial amount will discussed in advance with council, or chairman. Evidence has been noted in the minutes/internal correspondence of prior approval being obtained.

3. The order is made by the clerk – councillors are not allowed or permitted to place, amend or vary orders.

4. The supplier invoice, when received, is reviewed and batched ready for council approval.

5. At the meeting the councillors are invited to sign the payments list and associated invoices.

6. The clerk sets the payments up on the on-line banking system or writes a cheque as necessary.

7. The payment is set up by the clerk after the meeting and councillors are emailed to log on to the bank and authorise in accordance with the payment listing.

8. Invoices filed in the paid folder. The payment & invoice is logged on excel

For all transactions tested I was able to confirm the following:

- Cashbook entry could be agreed back to an invoice from the supplier
- Approval for the payment was recorded in a minute of a meeting of the Council
- Signature of two members was viewed on each invoice tested and

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.12 per elector.

S.137 expenditure is within thresholds.

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.

C. RISK MANAGEMENT & INSURANCE (INTERIM)

Interim Audit

The risk register was substantially updated and readopted by Council in March 2019, past reviews have shown this to be a robust process, with all appropriate risks considered.

The Council is insured with Zurich on a standard local authority package, in the first year of three, following a recent tender exercise. I confirmed the policy is in date, with a renewal date of 1.10.20.

The Village Hall, which is owned by the Council, is insured by the Village Hall Management Committee, the Clerk should ensure that a copy of the insurance certificate is viewed annually.

We discussed assertion 8 of the AGAR and whether or not this had any impact on the council. There is none.

"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 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)

I confirmed that the 2020-21 budget and precept setting process was completed at the time of our interim audit, with all precepting authority deadlines achievable.

The clerk was able to demonstrate a comprehensive budget setting process and detailed workings. I am under no doubt that the setting of the budget has been properly discussed and agreed. The council will have a small surplus at the year-end if the budget is adhered to.

As at the audit date total reportable income was £90,553 (Annual Budget £94,694), and expenditure £54,674 (annual budget £95,194). The income deficit is due to VAT not reclaimed. The expenditure budget will be underspent if the WC project does not go ahead, surpluses at the end of the year will be earmarked.

At the audit date the council has £112k of combined bank balances. The earmarked reserves were c.£34k leaving general reserve at £76k. Rule of thumb calculations suggest that 50% of precept as adjusted for local conditions is an acceptable level to hold in general reserve at the year end, this equates to £45k. The council continually monitors reserves and I am under no doubt the council knows and understands the reserves position.

E. INCOME (INTERIM AUDIT)

The majority of income at the Council is derived from the precept. I have confirmed precept income to third party notification supplied by the district council.

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)

None

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

Payroll is processed by an external agency. I tested the clerk's payroll for November 2019. I was able to confirm basic pay back to approved rate of pay noted in a minute of the Council.

Council employees are paid with reference with NJC scales. 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. The PAYE and NI liability for the November 2019 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**.** Councillors are paid allowances via the payroll.

H. ASSETS AND INVESTMENTS (INTERIM & 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.

I. BANK & CASH (INTERIM & FINAL AUDIT)

Interim Audit

The bank reconciliations for all accounts are properly prepared and presented to council. I confirmed that reconciliations are completed promptly at the end of each month.

It was noted that he opening balance on the cash book contained a transposition error – **the year to date position should be verified at the end of December 2019 to ensure cumulatively all receipts and payments are recorded**.

J. YEAR END ACCOUNTS (FINAL AUDIT)

TBC at Year End

K. TRUSTEESHIP (INTERIM AUDIT)

No trusts.

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

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	2018-19 Actual	2019-20
Accounts approved at full council	18th June	
Date Inspection Notice Issued and how published	19th June	
Inspection period begins	1st July	
Inspection period ends	9th August	
Correct length	yes	
Common period included?	yes	
Summary of rights document on website?	**Attached to inspection announcement**	

I am satisfied the requirements of this control objective were met for 2018-19, and assertion 4 on the annual governance statement can therefore be signed off by the Council.

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

Kind regards
Yours sincerely

Mark Mulberry