ITEM 6.4

MULBERRY & CO
Chartered Certified Accountants
Registered Auditors
& Chartered Tax Advisors
Godalming
e office@mulberryandco.co.uk
w www.mulberryandco.co.uk

Our Ref:

Mr J Fullbrook
Steyning Parish Council
The Steyning Centre
Fletchers Croft
Steyning
West Sussex
BN44 3XZ

Date 24th April 2020

Dear John

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

Following completion of our interim internal audit on the 4th November 2019 and 24th 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 John 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 Steyning 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 John for his 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 31st March 2020. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The council continues to use RBS for recording the day to day transactions of the council. This is a tried and tested industry specific package and I make no recommendation to change. The system is used weekly to report on and record the financial transactions of the council. There are three users with their own unique log-on. In the event of incapacity, the usernames and passwords are securely stored in the Clerk's office.

Regular financial reporting is produced for council meetings, which includes cash book, payments and receipts lists, bank statement and reconciliation, income and expenditure against budget, and other reports as required. 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 June 2019. I verified receipt of the reclaim amount to the bank account. The council is up to date with its postings.

Overall, I have the impression that the accounting systems are well ordered and routinely maintained.

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 2017/18 report was signed off by the external auditor on 16 September 2019, following a number of issues raised with them.

The 2018/19 external auditors report has yet to be signed off by council, although the Clerk has completed all the required financial information (which was verified for accuracy at the year-end internal audit) and has provided copies of the internal auditor's report to council, which provides assurances regarding the completion of the Annual Governance Statement.

External audit sets a statutory deadline for the submission of the AGAR. Failure to meet these deadlines could result in reputational damage to the council, qualification of the audit, financial penalties and could prevent the council accessing some grant funding sources in future years. **Council is strongly recommended to sign and submit the AGAR as soon as possible.**

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 Clerk is making arrangements for councillors have also signed acceptance to receive information by electronic means. Appropriate wording for this could be *'As per schedule 12 of the Local Government Act 1972, I give my consent to receive communication by electronic means.'*

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 principles of the code and transparency data is easily accessible on the website. **I would recommend the addition of a staff organisational chart and pay multiple, to meet all 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. 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. The council has appointed an external DPO and has a privacy notice and other GDPR and Data Protection policies published on its website.

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Full Council - meets monthly
- Finance & General Purposes - meets monthly
- Planning - meets monthly
- Amenities - meets monthly
- Premises - meets monthly

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 week of the meeting, and subsequently replaced by approved versions. Draft minutes are clearly marked 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 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 April 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 2019 model version and will use this as the basis of 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 regular bank reconciliations, and this is minuted at council meetings every six weeks in accordance with regulations.

Financial regulation 4 deals with budgetary control and authority to spend. Approval levels are currently set as below:

- Council - £5,000 and over
- Duly delegated committee - £1,000 to £5,000
- Clerk, in conjunction with Chairman of Council or Chairman of committee – £500 to £1,000

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 by BACS, with occasional cheque payments. There is a natural segregation of duties between the person inputting and the person releasing payments. Cheques must be signed by two individuals. There are six individuals are authorised to sign cheques.

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 no section 137 expenditure.

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
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 has a risk assessment that covers financial, operational and health and safety risks. This has been in place for a while and will be reviewed by council in the near future.

I have confirmed that the council has a valid insurance certificate. The council reviews its insurance requirements as part of the renewal process. The council has Public Liability and Employers' Liability cover of £10million and a Fidelity Guarantee cover of £150,000. I would recommend the Fidelity Guarantee level is reviewed and increased to ensure it covers the highest balance held during the financial year.

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 has started, with the intention to agree the final budget and precept at the 20 January 2020 council meeting. A clear budget setting timetable has been put in place by the Clerk to support the process.

The council has abandoned its business plan, and therefore has nothing to align a three-year budget plan to. However, each committee has a list of short, medium and long term priorities and this could form the basis of a forward budget plan. **It is recommended that the council has a three-year budget plan (as per model Financial Regulations) and that this aligns to the objectives identified in the council's business plan.**

As at the end of September, a review of the council's income and expenditure shows each committee on track year to date, suggesting that the budget was appropriately set and adhered to during the year.

The council holds a number of clearly identified earmarked reserves and has a further £110,000 in total in general reserves. General guidance recommends a general reserve of circa 50% of precept, adjusted for local conditions.

Final Audit
At year-end, the council had circa £35,000 in earmarked reserves, spread across a number of clearly defined projects, and a further £131,787 in general reserve. 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 appropriate 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 receives income from:

- Steyning Centre hire - circa £60K per annum
- Allotments
- CIL / s.106
- Interest, donations

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

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 small petty cash float of £30, used for appropriate small purchases. The petty cash is checked and balanced every couple of months.

G. PAYROLL (INTERIM AND FINAL AUDIT)

Interim Audit

Payroll is processed externally by a third party, with payments being made by the council and authorised in the same way as other payments. The Clerk has a signed contract of employment and is employed on an NJC scale. Checks of the PAYE and NI deductions will be completed at year-end. There are no councillor allowances.

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 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 and agreed to the AGAR. The asset register was up to date with all relevant assets as at the current financial year end. The council has a working party which is currently reviewing the register.

Final Audit

The asset register was checked, and the total 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 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.

Final Audit

At the year-end audit date, the council had a reconciled bank position across all of its accounts. There were no unrepresented items 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)

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 RBS reserves reconciliation provides an explanation for the difference between boxes 7 & 8 on the AGAR.

An explanation of variances has been provided, although **I recommend the template version is used to evidence each variance has been fully considered as to whether an explanation is required and provide a full breakdown of**

the differences where needed. 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	196,618	176,336	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	248,489	254,680	Confirmed against precept amount received
3	Total other receipts	205,155	112,452	Confirmed against accounting records
4	Staff costs	121,956	128,209	Confirmed against accounting records
5	Loan interest/capital repayments	0	0	Council has no borrowing
6	All other payments	351,970	249,065	Confirmed against accounting records
7	Balances carried forward	176,336	166,194	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	200,372	188,061	Confirmed against RBS reserves reconciliation
9	Total fixed assets plus long term investments and assets	2,649,115	2,649,115	Total matches asset register
10	Total borrowings	0	0	Council has no borrowing

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)

Final Audit

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	n/a	To be confirmed
Date Inspection Notice Issued	4 June 2019	To be confirmed
Inspection period begins	10 June 2019	3 June 2020
Inspection period ends	19 July 2019	14 July 2020
Correct length	Yes	Yes
Common period included?	Yes	Yes

Summary of rights document on website?	Yes	Yes

As highlighted at the interim audit, the 2018/19 external auditors report had yet to be signed off by council. This was agreed by the Finance & General Purposes Committee at its meeting on 11th February 2020. This was then reported to Full Council on 17th February 2020.

The council's adopted Financial Regulation 1.13 clearly states:
The council is not empowered by these Regulations or otherwise to delegate certain specified decisions. In particular any decision regarding:

- *Approving accounting statements*
- *Approving an annual governance statement*

In addition to having missed the deadline, the council has not followed the correct procedure for approving the AGAR or publishing the Exercise of Public Rights and therefore **the requirements of this control objective have not been met for 2018-19.**

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, coming into force on 30th April, provide guidance as to the changed submission deadlines and these must be taken into account to ensure compliance with this control objective for 2019-20. A link to the regulations is available here

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

Kind regards

Yours sincerely

<u>**Andy Beams**</u>