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Our Ref: MARK/SOU003

Mrs S Mills
South Highton Parish Council
10 Bromley Road
Seaford
East Sussex
BN25 3ES

7th May 2019

Dear Stephanie

**Re: South Highton Parish Council
Internal Audit Year Ended 31st March 2019**

Following completion of our audit on the 7th May 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 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
- Review of annual accounts & AGAR
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

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 Stephanie for her assistance

and whilst my report contains recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well ordered system.

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 transaction of that of the council for the year ended 31st March 2019. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT

The council continues to use excel for recording the day to day transactions of that of the council. On average there are approximately half dozen transactions per month. It is clear the excel cashbook has been extensively remodelled and testing showed this to balance and cross cast. The layout is logical and easy to read and the populated contents are such that the casual reader can garner an understanding of the nature and type of transactions undertaken.

In addition to this, the spreadsheet contains cross references to bank statements, invoices and minutes sufficient to trace each transaction to underlying documentation. 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 reclaim was for the period ended 31st March 2019, which shows a refund position. This also indicates that the council is up to date with its postings on the financial package.

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 & PAYMENTS

All Other Payments £133,723 (2018: 8,519).

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 council in January 2019. 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 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.

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

I note that the Council is required by law to follow the 2015 Transparency Code. The council has during the year carried out a large body of work on the website and a review has shown that information is readily available.

Confirm that the Council is compliant with the GDPR.

As council is aware of GDPR. It was noted the Council does not have common email addresses internally. A common email system such as cllr.name@councilname..... is recommended because it gives a natural segregation 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

Full Council; meets circa monthly (no August or December)

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.

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

The council routinely posts up its draft minutes to its web site within 30 days of the meeting.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months.

The council, reviewed and adopted NALC Model standing Orders in January 2019. This is in accordance with regulations

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

The council reviewed and readopted the NALC Financial Regulations in January 2019. This is in accordance with regulations.

Check that the council's Financial Regulations are being routinely followed.

I have selected minutes at random and traced the authorised payments to the invoices and cashbook, noting council authorisation at each stage.

The council authorises all payments, invoices are taken to council for approval and a payments list is authorised by authorised signatories. Cheques are pre written and once the invoices are approved the cheque and cheque book stub are signed. For a council of this size this control is adequate.

The payments are listed in the minutes and as such are posted to the council website, this is in accordance with the Transparency Act requirements and ensures all payments are made available to the wider public. Where applicable personal information would be redacted.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.86 per elector.

The council has had £920 of 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. 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 & INSURANCE

The council has prepared a detailed risk assessment and this was approved in November 2018.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Asset & money cover appears 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 & RESERVES

Reserves Carried Forward £19,002 (2018: £17,481)

The council has £10,785 of earmarked reserves and £8,217 of general reserves. Rule of thumb calculations would indicate that the general reserve of circa £6k as adjusted for local conditions would be appropriate. It is noted that in addition to the earmarked reserves an additional £2.6k will be used to fund an increase in expenditure over income. This will reduce the general reserve during the year. I am of the opinion that general reserves are appropriate.

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

Precept income £11,340 (2018: £11,010)

Other income £128,161 (2018: £4,370)

The precept income was tested to bank statements; the local tax support grant has been correctly shown in box 3.

Other income comprises, grants, & interest. The VAT refund has been received in April this year. I have reviewed the cashbook and was able to agree receipts to the bank statements, there were no errors.

During the year the council received £122k of grant income in respect of the Hollow project, this has been verified to the bank statements and underlying documentation. There were no errors.

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

No petty cash

G. PAYROLL

Staff Costs £4,257 (2018: £4,515)

The council has one employee. The payroll is reconcilable to the AGAR. Payroll is calculated internally using basic PAYE Tools from HMRC, although the amounts are below the threshold to tax. Net wages and PAYE are approved by council in the normal method. There are no councillor allowances. The clerk has a signed contract of employment. Payroll rates were agreed to NALC scales.

It was noted that the amount shown on the clerks P60 did not include some overtime and will need resubmitting. This does not change the tax or council cashbook position – only the P60.

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

Fixed Assets and Investments £145,372 (2018: 38,440)

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.

During the year new playground equipment was purchased and installed.

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 & CASH

Bank & Cash Balances £19,002 (2018: £17,481)

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation; the council has three bank accounts and £71.40 of outstanding payments these were tested to after date bank statements. There were no errors.

None of the accounts are long term investment accounts and as such do not need to be recorded in box 9 of the AGAR.

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 receipts and payments basis, with no requirement of a box 7 & 8 reconciliation.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2017/18 AGAR.

The variance analysis is required because there are variances greater than 15% and £200. This has been prepared on a summary table basis.

I am of the opinion the AGAR will be ready for submission to the external auditor within statutory time scales and that the control objective of "Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.", has been met.

K. TRUSTEESHIP (INTERIM AUDIT)

No trusts.

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

This new internal control objective is not active for 2018-19 financial year. However, I confirmed with the RFO 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	19 th June	14 th May
Date Inspection Notice Issued and	22 nd June	16 th June

how published		
Inspection period begins	25 th June	17 June
Inspection period ends	3 rd August	26 July
Correct length	Yes	yes
Common period included?	Yes	yes
Summary of rights document on website?	Attached to inspection announcement	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 – the Council is planning to follow dates suggested by external audit.

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

Kind regards
Yours sincerely



Mark Mulberry

Points Forward

Audit Point	Audit Findings	Council comments
Payroll	Clerk to verify amounts shown on herP60 with HMRC.	