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Our Ref: MARK/SOU003

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

8th June 2020

Dear Stephanie

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

Following completion of our interim internal audit on the 8th June 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 tables at the end of the report. The recommendations from the previous year's visit have been answered in the table 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.

I must applaud the council on its clarity of reporting and the information presented on the web page, it is clear a lot of hard work has gone into the presentation of the council finances. This is a model of good and best practice.

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 and 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 2020. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT

Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

The Council continues to use excel as a day to day accounting package, it is used regularly to report on and record the financial transactions of that of the Council. There is one user only. Over the course of the year there have been circa 100 transactions in total.

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 1/4/19 and confirmed they could be agreed back to the audited accounts for 2018/19.

The Council is not VAT registered and the last VAT return was for the quarter ended 31st March 2019, which showed a refund position of £27,062.04. This was verified to the S.126 claim form, cashbook and bank statements. The VAT to be reclaimed for the year ended 31st March 2020 is £2,386.53. It is clear the council completes annual VAT reclaims. This is not incorrect. The clerk has confirmed this will be taken to council in June 2020. *“I have it in the June agenda to present to Councillors for approval so it will be paid in the 2020-2021 financial year. We didn’t want it paid in 2019-2020 having received such a large VAT return in the year already.”*

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

Internal audit requirement

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

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 2018/19. This was reported to council in October 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. **The councillors will need to sign acceptance to receive information by electronic means.** I have provided some sample wording below for council consideration. This can be achieved by adding the paragraph wording to the acceptance of office forms.

“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 not required by law to follow the 2015 Transparency Code, however a review of the information published on the website shows that the council is following much of the code already which is to be applauded.

Confirm that the Council is compliant with the GDPR.

As council is aware of GDPR and the Council has common email addresses. A common email system such as cllr.name@southeighton..... 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. Again I applaud the council's action in this regard.

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.

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

Draft and final minutes are uploaded to the council website.

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. The updated SO's were due to be approved by a meeting of the Council on 24th March 2020 (under agenda item 7.1-7.2) but the meeting was cancelled due to the restrictions caused by Covid-19, The updated versions were distributed to Councillors via email on 19th March 2020 and will be ratified by the council at the next meeting on 16th June 2020.

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

Financial regulations are based on the NALC model and are dated March 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. The updated FR's were due to be approved by a meeting of the Council on 24th March 2020 (under agenda item 7.1-7.2) but the meeting was cancelled due to the restrictions caused by Covid-19, The updated versions were distributed to Councillors via email on 19th March 2020 and will be ratified by the council at the next meeting on 16th June 2020.

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

Financial regulation 2.2 deals with bank reconciliations, the council is performing a regular reconciliation for all accounts and this is minuted in accordance with regulations.

Financial regulation 4 & 11 deals with budgetary control and authority to spend and Contracts. The council has thresholds in place at which authorisations to spend must be obtained.

- £5,000 + full council approval to spend required
- £1,000 - £5,000 delegated committee approval to spend required
- £0 - £1,000 – clerk in conjunction with the chair approval to spend required

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
- £3,000 - £25,000 3 quotations are required.
- £100 - £3,000 – strive to get 3 estimates
- 0 - £100 – power to spend

I would recommend on next revision of the financial regulations the council may want to consider aligning para 4 & 11 to that in para 4 the clerk can order goods and services up to the value of £100 with the need for chairman approval. This will avoid the unnecessary requesting of approvals for small items such as post and stationery.

However, I am at pains to point out what the council currently has in place is not incorrect – this slight revision may assist with reducing some compliance and admin burden.

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, credit card and payflow. Cheques must be signed by two individuals.

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 £8.12 per elector.

The council has had £1,25 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 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 & INSURANCE

Internal audit requirement

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The Council undertakes a full risk assessment that covers operational and financial risks. The Risk Assessment was scheduled to be approved by a meeting of the Council on 24th March 2020 (under agenda item 7.4) but the meeting was cancelled due to the restrictions caused by Covid-19, The risk assessment was completed by the Clerk and approved by the Chairman and will be ratified by the council at the next meeting on 16th June 2020

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. The Council has a 3 year insurance provision agreement which started on 1st June 2019 and renews each June until 2022. The Employers Liability Certificate is displayed on the Parish Council website.

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

Internal audit requirement

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

I confirmed that the 2020-21 budget and precept setting process was completed on time and in accordance with financial regulations. A review of the minutes shows discussion and agreement of the same in October and January.

The council has £6,289 of total reserves. In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £6k. The council’s reserves are entirely adequate for a council of this size.

All significant variances to budget were explained satisfactorily at regular intervals during the council year as evidenced in the minutes.

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

Internal audit requirement

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

The precept income was tested to third party evidence supplied to the auditor. There were no errors and the precept is correctly shown in box 2 of the AGAR. All other income is correctly shown in box 3 of the AGAR and is dominated by the VAT refund as already noted above and the hollow project grant.

There is no evidence of netting off, in the cashbook.

Per financial regulation 9.3. “The council will review all fees and charges at least annually, following a report of the Clerk”. The council last reviewed its annual charges in January 2020. The clerk has commented as follows: *“The Council has just 1 area in which in charges a fee - for the local football club’s licence to use our recreation ground. This was in the agenda to be reviewed in January 2020 and was discussed under item 8 on 14th January 2020 (minute reference SHPC20-007). Members agreed that there were some issues to iron out with the club before the annual fee increase was agreed and one of the Councillors agreed to take this forward with the club. The licence fee is due to be paid in July so I have added approval of the fee into the June agenda (assuming the Councillor has managed to progress this during coronavirus).”*

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

Internal audit requirement

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

None.

I am of the opinion 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

Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied.

The council has one employee and the 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.

The amounts shown on the AGAR, were reconcilable to the payroll records, there were no errors.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken.

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

Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

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. Assets are correctly stated at historic or proxy cost.

The Council does not hold any long term investments i.e. over 1 year. Any addition to the asset register is normally with a cost value greater than £1,000.

The document was clear to read and contained all relevant information and is a model of good practice.

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

Internal audit requirement

Periodic and year-end bank account reconciliations were properly carried out.

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation and the cut off and can confirm the payments and lodgements are shown in the correct year, the amounts on the bank

reconciliation agreed to the bank statements and outstanding cheques could be verified to after date clearance. There were no errors.

The council has three active bank accounts. None of the accounts are long term investments and as such do not need to be disclosed 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

Internal audit requirement

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.

The council, at its meeting to sign off the year-end accounts, must discuss the Annual Governance Statement and record this activity in the minutes of the meeting. Based on the internal audit finding, I recommend using the table below as the basis for that discussion. THIS MUST BE A SEPARATE AGENDA ITEM TO THE SIGNING OF THE ANNUAL ACCOUNTS.

Section 1 – Annual Governance Statement

	Annual Governance Statement	<i>‘Yes’ means that this authority</i>	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	YES – Receipts & Payments accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	YES – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	YES – the Clerk is experienced and advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors’ rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority’s accounts.</i>	YES – the requirements and timescales for 2018/19 year-end were followed.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	YES – the council has a risk management scheme and appropriate external insurance.

	external insurance cover where required.		
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	YES – the council has appointed an independent and competent internal auditor has completed two audits during the year.
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	YES – where matters are raised, action taken by council is recorded in the minutes.
8	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>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	YES – no matters were raised during the internal audit visits.
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	N/A – the council has no trusts.

Section 2 – Accounting Statements

Agar Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	17,481	19,002	Agrees to 2019 cfwd
2	Precept or Rates and Levies	11,340	11,788	Agrees to third party evidence provided to auditor
3	Total other receipts	128,161	50,787	Agrees to underlying records
4	Staff costs	4,257	4,021	Agrees to underlying records
5	Loan interest/capital repayments	0	0	Agreed no loans
6	All other Payments	133,723	71,267	Agrees to underlying records
7	Balances carried forward	19,002	6,289	Casts correctly agrees to balance sheet (subject to £ rounding)
8	Total value of cash and short term investments	19,002	6,289	Agrees to reconciliation
9	Total fixed assets plus long term investments and assets	145,372	147,383	Agrees to register
10	Total borrowings	0	0	Agreed no loans
11	For Local Councils Only) Disclosure note re Trust funds (including charitable)	YES	NO	No trusts
			✓	

The year-end accounts have been correctly prepared on the receipt & payments basis with no requirement for a box 7 & 8 reconciliation.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2018-19 AGAR.

The variance analysis is required because there are variances greater than 15% and £200. This has been prepared on a summary table basis with only a requirement for boxes 3 & 6 needed. These have been properly explained.

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. LIMITED ASSURANCE REVIEW**Internal audit requirement**

IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick “not covered”)

Not applicable.

L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS**Internal audit requirement**

The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

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 South Heighton Parish Council Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	14/05/2019	16/06/20
Date Inspection Notice Issued and how published	1 June	TBC
Inspection period begins	4 June	29/06/20
Inspection period ends	13 July	07/08/20
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 2019/20, and assertion 4 on the annual governance statement can therefore be signed off by the Council.

M. TRUSTEESHIP

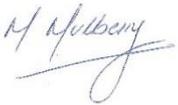
Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

No trusts.

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

Kind regards
Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Mulberry', with a stylized flourish at the end.

Mark Mulberry

2018/19 - Points Forward

Audit Point	Audit Findings	Council comments
Payroll	Clerk to verify amounts shown on herP60 with HMRC.	I couldn't make a post-year adjustment in the PAYE Tools so I wrote to HMRC and called them. They said over the phone that the amount would not affect the PAYE for the year as it was so small and no employer payments were required by SHPC. They said they would contact me when they received my letter but I never heard anything after that.

Final Audit - Points Forward

Audit Point	Audit Findings	Council comments
Governance	<p>The councillors will need to sign acceptance to receive information by electronic means. I have provided some sample wording below for council consideration.</p> <p>“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.”</p>	I have already made a note to add this to our June agenda and to repeat this on an annual basis.