



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/BUR003

Clerk
Bury Parish Council
Bury Village Hall
The Street
Bury
West Sussex
RH20 1PA

16th July 2019

Dear Paul

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

Following completion of our internal audit on the 16th July 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.

Summary Findings

We performed tests to enable us to sign off the 11 assertions on the internal Audit Report. These are labelled A-K on the 2018/19 AGAR. Our report follows this lettering system, specifically we reviewed 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 fixed asset register
- Review of the annual accounts and AGAR
- Review of information for external auditor

Neither the AGAR nor any of the supporting documents had been completed prior to the audit. We were however given an excel pack of information, containing cashbooks, accounts, fixed asset register and bank reconciliation to work from. **In future, the council must prepare its own AGAR and supporting documentation.**

I do not believe there to be anything inherently incorrect with the spreadsheet cashbooks or accounts. Certainly my review found no instance of error or misstatement in the financials. I was however again, very disappointed with the policies, procedures and governance aspect of the council.

I am of the opinion that the restated AGAR is 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 that of the council for the year ended 31st March 2019.

A. BOOKS OF ACCOUNT

During the year under review excel was used to report and record the financial transactions of that of the council. The limited number of transactions lends itself to a simple manual system and as such I do not believe the council would benefit from using a bespoke package. Excel is entirely suitable and fit for purpose.

The cashbooks are presented logically with sufficient information to understand the nature and scope of the transactions.

We recommended last year that the cashbooks could be improved by adding a column to reference each transaction to the underlying documentation the power used to spend, and a minute reference to show when each item has been approved by council. Disappointingly this has not been completed. We therefore recommend strongly this is attended to in the current year.

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, however I could find no evidence of a VAT reclaim being processed in the year under review. **Records seem to indicate that a refund of circa £5,775 was due with a further £1,081 due from the current year.**

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 Audit

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

External auditors report was qualified in 2018/19. The notice of conclusion of audit and audited AGAR have been posted to the council website.

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.

As council is aware of GDPR.

Confirm that the Council meets regularly throughout the year

The council only meets as Full Council on a bi monthly basis

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

It was not possible to ascertain the date period from the Agendas on the website.

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

A review of the web site shows there are gaps in the record of minutes.

- No July 2018 Minutes
- No September 2018 Minutes
- No January 2019 Minutes

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 2018-19

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

Financial regulations are based on the NALC model and are dated 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.

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

The council has S.137 expenditure within thresholds.

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

I reviewed the available minutes and during the year under review there is little hard evidence of payments being presented to or authorised by council. **This is not in accordance with regulations.** Financial regulations state that a schedule of payments must be taken to each council meeting, together with the invoices and the schedule signed and entered into the minutes. However, I note from the minutes of the May 2019 meeting – that payments were listed in the minutes.

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 & INSURANCE

The council does have a risk management policy on its website however, there was little or no evidence in the minutes that any risk assessments, financial or otherwise have been taken to council in the year under review. **This is a breach of regulations. I recommend council undertake an annual risk assessment and document this process in the minutes.**

I have verbally confirmed that the Council has a valid insurance certificate.

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 not been met

D. BUDGET, PRECEPT & RESERVES

Financial regulations are clear on the basis on which budgets must be set and the timescales for setting them. There is little evidence in the minutes of genuine discussion of the budget, the agenda of the 21st January 2019 lists the agreement of precept and budget as an item of business – however there are no minutes on the web site to substantiate this. **This is not in accordance with regulations.**

Again, as per last year there was little or no evidence in the minutes that reporting of actual versus budget was undertaken on a regular basis. **This is a breach of regulations.** The review and monitoring of budgets is an ongoing and vital control for all councils of any size, without adequate monitoring council cannot prove beyond reasonable doubt that it has not exceeded a budget heading for which document council approval is required or indeed if a virement is required. In addition to this, budget and reserves monitoring are a method by which expenditure can be monitored to ensure error and misstatement are minimised.

According to the accounts provided the council has £11,325 of earmarked reserves and £17,892 of general 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 £12k. The general reserve at £17,892 is slightly high for a council of this size, but not unreasonably so.

It is clear that documentary evidence on reporting the position of budgets and reserves is lacking at this council and must be improved.

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 not been met.

E. INCOME

The council has a number of streams of income, namely; precept, grant, village hall, VAT refunds and Interest. The precept income has not changed year on year.

Again, there is little evidence to suggest council has complied with regulations and reviewed its annual charges. The charges for the village hall are listed on the website and the income received can be related to these. It is a requirement of financial regulations for charges to be reviewed annually and for this to be minuted. **This is a breach of regulations.**

The council is not registered for VAT and has no requirement to do so.

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

The council does not use petty cash.

G. PAYROLL

The council calculates payroll in house using the HMRC PAYE Tools. Employees are paid with reference with NJC scales for consistency purposes. Monthly and year-end 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 March 2019 was paid in March.

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 not paid allowances.

As per last year the previous clerk used her home phone for council business and recharged the entire quarterly BT bill less private calls.

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

The fixed asset register has been maintained on an Excel spreadsheet. The asset register is a simple list; however, I am of the opinion that as a working document the register needs further work and currently falls short of best practice. **I would recommend that the following as a minimum are added to the register.**

- 1. A column be added to indicate the condition of the asset (good/poor).**

2. A column for insurance value of the asset be reviewed and updated to show if the asset is under or over insured or indeed insured at all, together with showing if assets are being insured that are not on the register.
3. A replacement value estimate. This will give an indication as to the level of expenditure required to replace assets so that a determination can be made as to whether an earmarked reserve would be appropriate.
4. Last physically vouched indicator – this would correspond with financial regulations that state an annual review should take place.

In addition to this, it is clear from the register that there are many obsolete and or replaced assets for which no amendment has been made to the cost value. There is also indication that assets are in correctly stated at insurance value.

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 not been met.

I. BANK & CASH

At the year-end date the council had a reconciled bank position, however it was noted that the opening balance on the control account had been manually adjusted (shown in red on the table below). Review showed this to be because items had been double counted and were showing in both 2017/18 and 2018/19. After correction of these items the control account showed the correct balances.

Cash Book	£29,214.12	
Add ins and Less carried forward	£ 1,115.24	these are the outstanding cheques from last year
Opening balance per Audit	£30,329.36	
Opening Balance Current account 1 st April 2018	£0.00	
Opening Balance Business account 1 April 2018	£30,329.36	
Total Brought Forward	£30,329.36	The b fwd balance per the signed accounts is £29.214.12
Add Total Receipts BPC	£34,884.97	
Add Total Receipts BVH	£10,815.49	
Total Receipts	£45,700.46	
Less Total Payments BPC	£35,904.25	overstated because of inclusion of payments recorded as prior year transactions
Less Total Payments BVH	£10,908.09	
Total Payments	£46,812.34	
Closing balance per cashbook as at 31 March 2019		£29,217.48

The council has two 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.

It was noted that whilst a bank reconciliation forms part of the cashbook workings and the clerk posted this to the "Forum" for councillor attention, none of the recs are printed in hard copy and there is no evidence in the minutes of them being discussed or approved. In addition to this, the face of the bank statements are not signed to indicate they have been reviewed against the reconciliation. **I therefore cannot say that proper practices have been followed in respect of the production, presentation and approval of the bank reconciliations.**

I recommend the council introduce a formal procedure for the presentation, inspection and approval of the bank reconciliation on a regular basis and this activity be recorded in the minutes. The bank reconciliation is another key control that council uses to ensure it knows and understand the financial position of the council and this is documented, without such a control it is hard to see the council has a grip on its finances at all.

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 not been met.

J. YEAR END ACCOUNTS

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

As per last year the AGAR had not been prepared at the time of my visit, nor had the report of significant variances or notice of electors rights. I remind council that the internal auditor must be independent of the decision making

and finance of the council and is only to report on the assertions as detailed in the AGAR. However, using the councils own figures I have assisted in the locum clerk to put together the AGAR.

Again, as per last year the previous clerk included the same reconciling errors which necessitated the restating of cashbook balances to ensure the correct reporting. The table below shows the balances to be reported on the 2018/19 AGAR. **I was unable to confirm the PWLB loan balance – this will need confirming by reference to the PWLB statement as issued at the year end.**

	31/03/2018	31/03/2019
BOX 1	33,169	29,214
BOX 2	25,173	25,173
BOX 3	31,967	20,527
BOX 4	15,175	9,791
BOX 5	2,074	2,074
BOX 6	43,847	33,832
BOX 7	29,214	29,217
BOX 8	29,214	29,217
BOX 9	734,071	734,071
BOX 10	12,126	? 10,711 ?

The variance analysis is required because there are variances greater than 15% and £200. This must be prepared on a summary table basis with sufficient explanation to detail the reason for the year on year movement. I provide a table example below.

	31/03/2018	31/03/2019	Variance	%	Explanation
BOX 1	33,169	29,214			
BOX 2	25,173	25,173	0	0.00%	
BOX 3	31,967	20,527	11,440	35.79%	Yes
BOX 4	15,175	9,791	5,384	35.48%	Yes
BOX 5	2,074	2,074	0	0.00%	
BOX 6	43,847	33,832	10,015	22.84%	Yes
BOX 7	29,214	29,217	(3)	-0.01%	
BOX 8	29,214	29,217	(3)	-0.01%	
BOX 9	734,071	734,071	0	0.00%	
BOX 10	12,126	? 10,711 ?			

At the audit date the council had not made firm provision within its schedule of meetings to sign off the annual governance statement and accounts in time to display the notice of electors rights. This is a breach of regulations.

I am of the opinion the AGAR will be ready for submission to the external auditor 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, **but only because the accounts were prepared by the internal auditors.**

K. TRUSTESHIP

No trusts.

L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

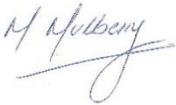
This new internal control objective is not active for 2018-19 financial year.

I was unable to prove that the correct notice has been published for the notice of electors rights and no notice was shown on the council website

I am not satisfied the requirements of this control objective were met and assertion 4 on the annual governance statement **cannot** in 2019/20 be signed off "Yes" by the Council.

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