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Our Ref: MARK/EFF001

Mr J Short
Effingham Parish Council
The Parish Room
3 Home Barn Court
The Street
Effingham
Surrey
KT24 5LG

29th April 2020

Dear Jon

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

Following completion of our interim internal audit on the 16th December 2019 and our final audit on the 29th 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 tables at the end of the report. The recommendations from the interim visit (where applicable) 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.

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 Effingham Parish Council are followed, that overall the systems and procedures you have in place are entirely fit for purpose 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 & AGAR
- Review of bank reconciliation
- Review of income
- 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 transaction of that 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 as a day to day bookkeeping package, this is an industry specific, well-known and trusted system.

There are circa 15 transactions per month, the limited number of transactions lends itself to the use of a simple cashbook system. There is one user with their own log on and password and as such segregation of duties is not possible.

The system is used regularly to report and record the financial transactions of the council and a review of the cashbook shows that all data fields are being entered, the hard copy reports are easy to read. My audit testing showed that supporting documentation could be readily located from records recorded on RBS and vice versa. I make no recommendation to change in this system.

I tested opening balances as at 1/04/2019 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 2019. There is no indication of a requirement to register for VAT. The period to Date has been prepared but not submitted yet. I walk through tested a transaction at random and the underlying document agreed. There were no errors.

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 therefore 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.

External auditors report was not qualified in 2018/19. This will be reported to council in January 2020. Evidence was also noted in the minutes of the internal auditor’s report being reviewed and accepted in April 2019. **The 2018/19 notice of conclusion of audit and audited AGAR need to be 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, “register of members interests”, and “acceptance to receive information by electronic means”, in line with regulations.

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. The council has data protection/GDPR statement on its website and it is noted that the web site will be updated in the near future.

It was noted the Council does not have common email addresses for councillors. A common email system such as cllr.name@Parish Council..... 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

The council has the following committees:

- Full Council; meets circa monthly

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks each committee has spending powers.

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

I remind council that it must post up its minutes to its web site within 30 days of the meeting, should changes be required as notified at later meetings the minutes are updated.

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

The council, reviewed and adopted Standing orders in May 2018. The standing orders are based on the NALC model.

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

The council re-adopted Financial regulations in May 2018. This is in accordance with regulations and has be noted in the minutes. 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.

The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is as listed below.

- £250 + Council approve before order placed
- Clerk & Chairman up to £250

No evidence of expenditure in excess of £250

- £25,000 + Tender Process
- £3,000 - £25,000 3 quotations are required.
- £250 - £3,000 – strive to get 3 estimates
- 0 - £250 – power to spend

Financial regulations 4, 5 & 6 deal with the authorisation and making of payments. The clerk was able to demonstrate, that in accordance with regulation, that prior authorisation is obtained from committee/council before the expenditure is incurred.

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 are, in the main, paid via direct debit, standing order or on-line banking.
2. An ad hoc expenditure requirement is identified and noted to the clerk/RFO – this can be from a number of sources and depending on the financial amount will be discussed in advance with council, committee or chair. If required, this is approved in advance by council committee before the expenditure incurred. My audit testing showed via the minutes that there is where appropriate discussion of expenditure before the orders are placed.
3. The order is made via the office – councillors are not allowed or permitted to place amend or vary orders.
4. The supplier invoice when received, is reviewed and annotated by the clerk. My audit testing showed that supplier invoices are annotated.
5. A manual payments list is produced, the clerk will pre-write the cheques (if being paid by cheque) at the same time, this is taken to council and the Chair signs off list at the meeting.
6. Payments set up on the on-line banking system, using the signed payments list as a guide. The on-line system is set such that the same individual cannot both set up and authorise the same transaction. There is a natural segregation of duties at the bank level.
7. When bank statement arrives – The financial reporting package is updated with the transactions.

I have selected the October 2019 minutes and traced the authorised payments to the invoices noting council authorisation at each stage. There were no errors and all agreed to the payments list. The payments list and the minutes show beyond doubt what is being approved, invoices are annotated and checked. The stubs have been initialled twice in accordance with regulations.

The payment schedule as reported in the minutes is posted to the council website within the supporting papers and minutes to the meeting, 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.

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 & does not exceed the annual per elector limit of £8.12 per elector.

The council has up to £2,000 on 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.

Final Audit

I have reviewed the expenditure list which shows an increase in year on year expenditure which has been properly explained in the report of significant variances.

I have reviewed the nominal ledger and there is no evidence of netting off and expenses are shown under a head to which they relate.

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 (INTERIM AUDIT)

Interim Audit

The council is in the process of updating risk assessments – I will review this further at the year end.

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.

Regular backs ups are taken to an external drive stored in the clerk's office. – Locked in Safe for hard copies.

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)

Interim Audit

I confirmed that the 2020/21 budget was underway at the time of the audit.

As at 10th December total reportable income was £127,850 (Annual Budget £117,259), and expenditure £79,996 (annual budget £100,859). Income has exceeded budget due to unbudgeted grant receipts. The expenditure is broadly in line with budget.

The council had c.£120k in combined bank balances, of which £27k is earmarked leaving £93k as a general reserve, rule of thumb calculations would indicate that a general reserves balance of circa £60k (50% of precept) as adjusted for local conditions would be reasonable.

The Clerk was able to demonstrate that budget monitoring reporting to members is comprehensive, and is appropriately minuted.

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.

Final Audit

The council has £89,822 of reserves at the year end date of which £19,558k is earmarked and £70,264k is general All significant variances to budget were explained satisfactorily.

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 & FINAL AUDIT)

Interim Audit

The precept was tested to third party remittance advice note and the bank statement, there were no errors. Other income comprises, VAT refunds, grants, donations and flat income.

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.

Final Audit

The precept income was correctly shown in box 2 of the AGAR and the local tax support grant has been correctly shown in box 3 of the AGAR. There are no errors to report.

Other income is £3k less this year due in the main to a reduction in the VAT refund of £9k; however, underlying this is an increase in grants received £3k village magazine advertising sales £2k and burials income of £1.5k.

I have reviewed the nominal ledger and there is no evidence of netting off and income is shown under a heading to which it relates.

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)

No petty cash

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

The council has one employee and the payroll is run in house using the HMRC Basic Paye tools. Payments of salaries are authorised by council along with usual payments.

The clerk does have a signed contract of employment and is paid according to national scales. Changes to pay rates and hours have been minuted in accordance with regulation.

PAYE and NI deductions and returns have been submitted online and on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review.

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 were paid allowances via the payroll.

I am of the opinion 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.

Final Audit

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

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 (INTERIM & FINAL AUDIT)

Interim Audit

The council has a simple fixed asset register in place and there have been no significant changes since the year end. The register contains details of historic cost and is reconcilable to the insurance schedule. Assets are correctly stated at historic or proxy cost.

I am of the opinion that the control objective of "Asset and investments registers were complete and accurate and properly maintained.", has been met.

Final Audit

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 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.

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 (INTERIM & FINAL AUDIT)

Interim Audit

The council has 3 bank accounts. The bank reconciliations at 12th November were reviewed in full. The RBS system prints are neatly and logically presented, there were no errors on any of the reconciliations.

I am of the opinion that the control objective of "Periodic and year-end bank account reconciliations were properly carried out.", has been met.

Final Audit

At the year-end date the council had a reconciled bank position which has been signed in accordance with financial regulations. I have reviewed the reconciliation there were no outstanding payments and no outstanding lodgements and the reconciliations agreed to the bank statements provided.

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 (FINAL AUDIT)

The year-end accounts have been correctly prepared on the receipts and 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.

Agar Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	60,039	74,903	Agrees to 2018/19 cfwd
2	Precept or Rates and Levies	96,895	115,698	Agrees to remittance and bank statements - Variance greater than 15% & £200 – additional precept requested for legal fund
3	Total other receipts	22,219	19,074	Agrees to detailed report – in the main grants and Vat refund
4	Staff costs	29,413	31,080	Reasonable compared to prior year – agrees to detailed report
5	Loan interest/capital repayments	0	0	Agreed no loans
6	All other Payments	74,837	88,773	Variance greater than 15% & £200 – increase in funding provided for KGV playing fields by £11.5k
7	Balances carried forward	74,903	89,822	Casting agrees
8	Total value of cash and short term investments	74,903	89,822	Agrees to bank reconciliation and bank statements
9	Total fixed assets plus long term investments and assets	14,642	17,116	Agrees to register - Variance greater than 15% & £200 – additional fixed assets purchased
10	Total borrowings	0	0	Agreed no loans

The variance analysis is required because there are variances greater than 15% and £500. 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. TRUSTESHIP (INTERIM AUDIT)

No trusts.

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

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.

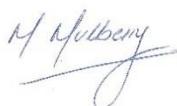
The Relevant dates as set by Effingham Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	April 30 th 2019	TBC
Date Inspection Notice Issued and how published	13 June – notice board and website	1st June 31 st May – needs to be before inspection period begins
Inspection period begins	17 June	1 st June
Inspection period ends	26 July	10 th 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 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

Final Audit - Points Forward

Audit Point	Audit Findings	Council comments
Notice of electors rights	The notice can't be published on the same day as the inspection period begins. It needs to be at least a day earlier.	