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/HUN001

Mrs C Smith
Hunston Parish Council
6 Locksash Close
West Wittering
Chichester
West Sussex
P020 8QP

Date 22nd April 2020

Dear Carol

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

Following completion of our interim internal audit on the 15th October 2019 and final audit on 22nd 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 Carol 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 Hunston 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 Carol for her 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 Excel for recording the day to day transactions of the council. On average there are approximately a dozen transactions per month. 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 not VAT registered. VAT refunds are completed annually, with the latest reclaim about to be completed.

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 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 external auditors report has not yet been received. Once received, the Clerk is aware that it needs to be reported to the next council meeting and published on the council's website. Compliance with this will be checked at the year-end audit.

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. The Register of Members' Interest forms are yet to be loaded on the council website. The councillors have also agreed to receive information by electronic mean, and this has been recorded in the minutes.

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 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 requests. A review of the web site shows that some of the transparency data is on the website, including payments, constitution documents and the asset register.

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, which 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 Data Protection Officer (DPO) and are in the process of updating all GDPR information to the new website, which will include a Privacy Notice and details of what personal information the council holds, how it is stored and used.

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Full Council – meets bi-monthly
- Planning Committee – meets as required

Spending powers are with full council.

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 are 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 two weeks of the meeting and final minutes are uploaded to the council website once approved. Draft minutes are clearly identified as such.

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

The Clerk has revised and updated the Standing Orders, which are now based on the NALC model (2018 version) and are on the agenda for adoption at the November 2019 meeting.

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

The Clerk has revised and updated the Financial Regulations to be based on the NALC model (2019 version) and these are on the agenda for adoption at the November 2019 meeting. 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 bi-monthly bank reconciliation for all accounts and this is minuted at council meetings in accordance with regulations. A councillor was appointed at the annual meeting to carry out the bank reconciliation task.

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

- £5,000 + Council
- £1,000 + Delegated committee
- Below £1,000 – Clerk in conjunction with the Chairman of Council

This level of authority requires the Clerk to confirm every transaction with the Chairman of the Council. It would be prudent to consider a lower level of authority under which the Clerk can operate independently, say £250 - £500, to allow for small routine expenditure to be authorised without undue delay.

Financial Regulation 5 deals with authorisation of payments. From sample checking of invoices from September 2019, 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 online with occasional cheque payments and some direct debit payments. The on-line banking system has a natural segregation of duties between the originator and authoriser of transactions. Cheques must be signed by two individuals. The renewal of direct debit payments is confirmed annually at the May meeting.

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 the General Power of Competence (GPC), which was adopted and noted in the minutes of the May 2019 meeting and does not use section 137 powers.

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.

Final Audit
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 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 detailed risk assessment document which is signed off each year and taken to council for approval, most recently in March 2019. The document is very comprehensive and covers not only trips and hazards, but also financial and management risks. This document is entirely fit for purpose and I make no recommendation to change.

All council data is now stored on the cloud and regular backs ups are taken to an external drive, which is stored off-site at the Clerk's home address.

I have confirmed that the council has a valid insurance certificate. The council reviews its insurance requirements as part of the renewal process. Asset and money cover appear adequate, with Employers Liability and Public Liability cover of £10million and a Fidelity Guarantee cover level of £150,000.

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 is scheduled to be discussed at the meeting in November, with plans to agree the final budget and precept at the January 2020 meeting.

It was noted that currently no three-year forecast is shown. **I would recommend that council add its 3-year forecast in accordance with Financial Regulation 3.1 and this is aligned to the council's business plan.**

As at the interim audit date, the Council had spent £33,656 against an expenditure budget of £65,356. This represents a 51% spend year to date and indicates that the budget was appropriately set and has been adhered to during the year.

Final Audit
At year-end, the council had a total of £40,781 in earmarked reserves, spread across two clearly defined projects, and a further £38,181 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 has the following streams of income:

- Football club income
- Grants

Both instalments of the precept have been received in received in April 2019 and September 2019 and verified to the bank statement. This is the last year of receipt of the Council Tax Support Grant (CTSG).

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 no petty cash.

G. PAYROLL (INTERIM AND FINAL AUDIT)

Interim Audit
Payroll is processed internally using BrightPay. The Clerk and other staff member have signed contracts of employment, based on the NJC model terms and conditions. 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 fixed asset register agreed to the AGAR at the financial year end. The register lists the assets, their cost or proxy cost together with insurance values.

The capital loan balance was verified to the statement from PWLB Debt Management Office. The loan is due to be repaid in October 2020.

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 13th September 2019. 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. There were no unrepresented 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 receipts and payments basis, and the AGAR correctly casts and cross casts. The explanation of variances has been completed with sufficient detail and explanations provided for variances in excess of 15%. 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	27,198	44,740	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	56,000	60,000	Confirmed against precept amount received
3	Total other receipts	24,584	49,924	Confirmed against accounting records
4	Staff costs	20,795	20,810	Confirmed against accounting records
5	Loan interest/capital repayments	9,611	9,611	Confirmed against PWLB records
6	All other payments	32,636	45,281	Confirmed against accounting records
7	Balances carried forward	44,740	78,962	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	44,740	78,962	No difference as accounts prepared on receipts and payments basis

9	Total fixed assets plus long term investments and assets	174,225	174,255	Total matches asset register
10	Total borrowings	17,366	9,039	Confirmed against PWLB records

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 is the sole trustee of Hunston Village Hall. The council has fulfilled its obligation in this respect and follows regulations.

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	28 June 2019	To be confirmed
Date Inspection Notice Issued	29 June 2019	2 June 2020
Inspection period begins	1 July 2019	3 June 2020
Inspection period ends	9 August 2019	14 July 2020
Correct length	Yes	Yes
Common period included?	Yes	Yes
Summary of rights document on website?	Yes	Yes

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.

Kind regards

Yours sincerely

A Beams

Andy Beams