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Our Ref: MARK/HUR003

Mr S Hoyles  
Hurstpierpoint & Sayers Common Parish Council  
Trinity Road  
Hurstpierpoint  
West Sussex  
BN6 9UY

12 November 2018

Dear Stephen

**Re: Hurstpierpoint & Sayers Common Parish Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2019**

Following completion of our interim internal audit on 8 November 2018 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. Recommendations for future action are shown in the table at Appendix A.

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 are 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 Bank Reconciliations
- Compliance with Regulations
- Salaries and Wages

It is our opinion that the systems and internal procedures at Hurstpierpoint & Sayers Common Parish Council are very well established, regulated and followed. The Clerk ensures the Council follows best practice regulations and has over time adapted and changed the internal procedures as regulations and technologies have changed to maintain compliance. I was pleased to note that recent staffing changes have had no impact on the financial systems on the Council, which still operate effectively.

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 entirely fit for purpose and indeed are a model of good practice. I would like to thank Stephen and Paul for their assistance and hard work.

## **A. Books of Account**

### **Interim Audit**

The Council continues to use RBS, an industry specific accounting package. The RBS system is used daily 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 and logically filed. My audit testing showed that supporting documentation could be readily located from records recorded on RBS. I make no recommendation to change this system.

The Council received a clean audit certificate from the external auditors in 2017-18. I checked that the audited 2017-18 annual return has been reported to Full Council and an appropriate minute recorded. Internal Audit reports are being properly considered at Council meetings. The Conclusion of Audit Notice was prepared by the 30 September deadline and posted on notice boards. The audited annual return and completion of audit notice have been published on the Council website.

I tested opening balances as at 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18. I confirmed that the Council's VAT returns are up to date, with VAT claimed to the end of September 2018. VAT reclaimed could be agreed to a schedule of transactions derived from the RBS system.

I am satisfied that the Council meets this control objective.

## **B. Financial Regulations & Payments**

### **Interim Audit**

The NALC model Financial Regulations were taken to Council in May 2018, and duly approved. The NALC model Standing Orders were taken to Council September 2018 and duly approved. I was able to confirm by sample test that councillors have signed acceptance of office forms. The Council has a robust attitude to maintaining and reviewing key governance documents.

I tested a sample of expenditure transactions, and was able to confirm that all transactions had been signed off by two councillors, and approved at a meeting of the Finance and General Purposes Committee and the approval minuted, prior to BACS payment being set up by one officer and authorised for payment by the Clerk. It is clear that the Council has robust systems, policies and regulations in place and takes seriously its responsibility in this regard.

The Council publishes extensive information on the website and is largely compliant with the requirements of the 2015 Transparency Code. However, the website is a little cluttered. I recommend that a new tab is set up, labelled transparency, and all data required by the Code should be held on this tab. I have recommended Crowborough TC as a template for this information.

## **C. Risk Management & Insurance**

### **Interim Audit**

The Council has a risk strategy in place and monitors and reviews risk on an ongoing basis. I was able to confirm that the physical risk assessment and the financial risk assessment for 2018-19 were discussed at the Council meeting in May 2018, and this review minuted. I have reviewed both risk assessments, they appeared comprehensive and appropriate for this Council. The Council has met its obligations as set out in the annual governance statement.

The Council is insured with Zurich on a standard local authority long term deal. This is the first year of a 3 year deal with this insurer. I checked the insurance certificate and confirmed the insurance is in date. Asset cover appeared consistent with the asset register. The Council must keep a watching brief on insurance cover given the changes to the asset base that may occur over the next 12 months.

Money coverage is not sufficient at £250K. The Council's cash holdings regularly exceed this balance, and the Council is due to receive further s106 monies relating to Hurst Meadow. I therefore recommend that the insurer is contacted and insurance is increased. Again, a watching brief should be kept on this area, as the Council takes on new responsibilities.

I note that the Council has changed back up procedures since my last visit. Data is backed up on to the cloud with a mini server being purchased which will provide live back up to a remote location. This is an improvement on previous arrangements.

I am satisfied that this control objective has been met by the Council.

### **C. Budget, Precept & Reserves**

#### **Interim Audit**

I confirmed that the 2019-20 budget and precept setting process was well underway at the time of our interim audit. The budget is timetabled to be approved by the Finance and General Purposes Committee in December, with Full Council approval of the budget and precept to be completed in January. There is a clear budget timetable, and extensive budget planning information is provided to Councillors at the start of the budget cycle. This is an example of good practice. I am satisfied that all statutory deadlines will be met.

I have confirmed that budget reporting to members has been occurring quarterly for in the course of 2018-19, as required by financial regulations. I checked the quarter 2 budget outturn report and was satisfied that this was derived directly from the accounting system and is properly reported to members.

I note a number of significant changes to the Council's finances are expected over the next few months. These are summarised below

- Receipt of Hurst Meadows section 106 monies and land. The final transfer of land is anticipated , together with the receipt of £400K plus of Section 106 monies. This should be transferred to an earmarked reserve on the balance sheet, and spent in line with the terms of the section 106 agreement.
- Court Bush Centre – the operation of this Centre is likely to be transferred into the Parish Council for next financial year, the building being leased from the County Council. This will increase the income and expenditure of the Parish Council.
- Hurstpierpoint Village Centre – The Council is looking to take on the role of sole trustee of the Charitable Trust. The Clerk has demonstrated that the Trust will continue to be administered separately, with its own finance systems and accounts, this is the correct approach.

I will follow up progress at my year end visit. In the meantime, I recommend that these changes are

- Included in 2019-20 budget planning
- Added to risk assessments
- Included in insurance policies

Earmarked reserves at the time of my audit were around £40K. I will audit reserves in detail as part of my year end audit, however I would anticipate earmarked reserves will be required to hold section 106 receipts.

The Council is meeting this control objective.

## **E. Income**

### **Interim Audit**

Budgeted income for 2018-19 per RBS is 332K, of which £102K is section 106 income and £202K is precept. I will test at year-end audit.

## **F. Petty cash**

### **Interim Audit**

The Council holds a petty cash balance of £200. We saw evidence that this is reconciled on a monthly basis.

## **G. Payroll**

### **Interim Audit**

Payroll continues to be processed by West Sussex CC. I tested the October 2018 payroll. I was able to agree payments per the ledger back to details of officer pay on West Sussex Invoices. From there I was able to confirm the monthly payments back to pay award letters sent to staff on implementation of the annual NALC pay rise.

I also confirmed that the payments to staff were reviewed by a councillor prior to payment and that this review was evidenced.

I found no errors in my testing of payroll.

## **H. Assets and investments**

### **Interim Audit**

The asset registers appeared up to date and properly maintained. I will test this in detail at year end as part of the process of reconciling the accounts to the fixed asset register. I have reminded the clerk that all asset additions should be added at cost, or proxy cost for assets transferred without payment (Hurst Meadow).

## **I. Bank reconciliations**

### **Interim Audit**

I was able to confirm that the Council's Unity Bank and Nationwide and Cambridge Building Society accounts are reconciled promptly each month and that the reconciliations are reviewed by a councillor who is a member of the Finance and General Purposes Committee. The bank reconciliations for September 2018 were reviewed in full. The RBS system prints are neatly and logically presented. I was able to confirm that cashbook could be reconciled to bank account for both bank accounts. There were no errors on any of the reconciliations.

I would like to remind the Council to keep a watching brief on maturity dates for CCLA deposits. Once maturity is less than 12 months, these balances must be moved out of fixed assets and transferred to cash.

I am satisfied that the system of bank reconciliations operates effectively.

## **J. Year-end accounts**

Year end

## **K. Trusteeship**

No trusts at present. However this will change when the Council becomes sole trustee of the Village Centre.

Should you have any queries please do not hesitate to contact me, finally I enclose a fee note for your kind attention.

Kind regards  
Yours sincerely

A handwritten signature in cursive script, appearing to read 'M. Mulberry', with a long horizontal flourish extending to the right.

**Mark Mulberry**

## Points Forward – Action Plan - Interim Audit

<b>Matter Arising</b>	<b>Recommendation</b>	<b>Council Response</b>
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Money coverage is not sufficient at £250K. The Council's cash holdings regularly exceed this balance, and the Council is due to receive further s106 monies relating to Hurst Meadow.	I therefore recommend that the insurer is contacted and insurance is increased. Again, a watching brief should be kept on this area, as the Council takes on new responsibilities.	
I note a number of significant changes to the Council's finances are expected over the next few months	I recommend that these changes are <ul style="list-style-type: none"><li>- Included in 2019-20 budget planning</li><li>- Added to risk assessments</li><li>- Included in insurance policies</li></ul>	