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Our Ref: MARK/HUR003

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

26th April 2019

Dear Stephen

Re: Hurstpierpoint & Sayers Common Parish Council
Internal Audit Year Ended 31st March 2019

Following completion of our final internal audit on 25 April 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 financial year. 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

Final Audit – Summary findings

We completed the following work at the final audit.

- Review of annual accounts & annual return
- Review of bank reconciliation
- Testing of income and expenditure, last 4 months of financial year
- Review of fixed asset register

- Review of information for external auditor.

I have set out the results of my testing against each of the control objectives set out in the internal audit section of the annual return below.

I am of the opinion that the annual accounts and annual return are ready to be signed off by council and the external auditor. Accordingly, I have signed off the Annual Internal Audit Report.

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, and wish Stephen well in his retirement.

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.

Final Audit

I agreed the statement of accounts back to annual return reports produced by the Council's accounting system, RBS. I conclude that all figures on the annual return have been correctly derived from the Council's accounting system. Arithmetic has been checked and the draft accounts cast bar a £1 rounding error which I advised the RFO to amend.

I checked comparative figures for the previous financial year disclosed on this year's annual return back to last year's signed accounts, and can confirm that opening reserves balances, and comparative figures are accurately recorded in this year's annual return.

I also confirmed that VAT is up to date. At the time of my audit the VAT return had been completed and submitted to HMRC for the period to 31.3.19. VAT reclaimed was supported by a schedule of transactions extracted from the finance system.

I am satisfied that the Council has met 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.

Final Audit

Expenditure per box 6 to the accounts was £159,519 (2017-18 £229,525)

Expenditure has reduced by £70k year on year. This is largely explained by the transfer of £55K to CCLA investments in 2017-18. A full variance analysis has been prepared for external audit.

A sample of expenditure transactions from the second half of the financial year has been tested as part of year end testing. For all items selected I was able to confirm:

- Ledger item could be agreed back to invoice
- Invoice signed as authorised by the clerk and 2 councillors
- Authorisation for invoice payment included in the minutes of a council meeting

I identified 4 transactions wrongly accrued into the 2018-19 financial year, amounting to £3,862. These should be transferred to 2019-20 as the invoices show these relate to services delivered after 1 April 2019. I advised the accounts should be adjusted.

However, I am satisfied that expenditure is authorised in line with financial regulations and that the Council is compliant with this control objective.

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.

Final Audit

The insurers were contacted following recommendations raised at the interim audit. Money cover has been raised to £500K. This is sufficient, year end cash balance is £273K. I also confirmed the 2019-20 risk assessment is due to be considered at the May 2019 meeting of Full Council.

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

D. 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 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.

Final Audit

The budget for 2019-20 was approved at 24th January Full Council meeting, with revenue and capital budgets both approved at this meeting, together with a statement on council reserves. The minute correctly recorded both budget and precept set for the 2019-20 financial year.

I have confirmed that budgets continue to be monitored on a regular basis and that evidence of this budget monitoring is reported in Council minutes.

Reserves at year end amounted to £254,088 (2017-18 £239,912). £85K is held in the general reserve, at 42% of precept this is an appropriate level of reserves for this council, given well developed earmarked reserves. £163K is held in 2 reserves for Hurst Park Meadows Section 106 funding, and £5K is held as a maintenance reserve.

The Council may need to consider setting up a reserve for Court Bush Hall to fund future repair costs, although I note the Council has included £9k in the 2019-20 budget to cover such costs.

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

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.

Final Audit

Income per box 3 to the accounts is £107,158 (2016-17 £244,258). The year on year reduction is due to less section 106 income being received for Hurst Meadows.

More than 65% of non-precept income from the year has been due to Section 106 monies relating to Hurst Meadows. I have agreed £73K receipt recorded on the general ledger back to solicitor notification of amounts payable to the Council.

I noted 2 expenditure transactions amounting to £1k wrongly coded to an income ledger code, these should be journalled to the relevant expenditure code.

Precept Income per box 2 to the accounts is £202,602 (2016-17 £193,736). I have agreed this to information held on the Mid Sussex DC website.

I have found no errors in my testing of precept income per box 2 to the accounts and other income per box 3.

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.

Final Audit

Staff costs per box 4 to the accounts are £118,541 (2016-17 £120,093)

No further payroll testing carried out at final audit.

I have identified no errors in my testing of income recorded in box 4 to the accounts

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).

Final Audit

Fixed assets per box 9 to the accounts are £628,772 (2016-17 £609,127).

I have been able to reconcile the balance on the accounts back to the fixed asset register held by the Council. I reviewed the asset register and was able to confirm that the Council continues to account for fixed assets on cost or proxy cost basis, as required by regulations. Increase in asset value is explained by the purchase of new village gateway signs, these have been correctly added at cost. I confirmed with clerk there are no assets on the register no longer held by the Council.

I note that the asset register continues to include 2 CCLA deposits, amounting to £65K. These are held on the fixed asset register following recommendations by the external auditor, and I am satisfied that the accounting basis for these investments is consistent with the approach signed off by the external auditor.

I have identified no errors in my testing of fixed assets recorded in box 9 to the accounts.

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.

Final Audit

Year end Loans per box 10 to the accounts were £162,306 (2016-17 £176,182)

I have confirmed the year-end balance to third party confirmation provided by the Public Works Loan Board.

Loan repayments per box 5 are 17,523 (2017-18 £17,298) This has been agreed to PWLB loan documentation

Cash per box 8 to the accounts is £273,738 (2017-18 £308,991.)

I have re-performed the year end bank reconciliations and I was able to agree the bank reconciliation back to bank statements and the RBS cashbook, which I checked direct to the accounting system.

I note that the bank statements for the Cambridge And Counties accounts were not those for 31 March. I recommend that these are obtained prior to submission of the accounts to the external auditors.

The reconciliations had not been reviewed by Councillors at the time of my audit, but were due to be presented at the next meeting.

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

J. Year-end accounts

The Council has compiled accounts on accruals basis, as required by regulation.

I confirmed that the Council has completed a reconciliation between box 7 and 8 of the accounts and that this is supported by schedules of debtors and creditors. A year on year variance report has been produced and this explains variances in detail.

I am satisfied that this control objective has been met.

K. Trusteeship

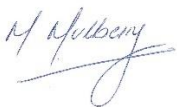
No trusts at present. I confirmed with the Clerk that the Council has not yet become the sole trustee of the Village Centre – this is likely to be completed in the course of 2019-20.

L: Exercise of Public Rights - Inspection of Accounts

The AGAR is due to be approved at the meeting of Full council on 16 May. I have confirmed the Council will follow external audit's suggested dates, and thus the inspection period will meet the requirements of regulations.

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 blue ink, appearing to read 'M. Mulberry', with a stylized flourish at the end.

Mark Mulberry

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
<p>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.</p>	<p>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</p>	<p>Now actioned – there is scope to add more information to this tab to complete full compliance with Code</p>
<p>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.</p>	<p>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.</p>	<p>Coverage has been increased</p>
<p>I note a number of significant changes to the Council's finances are expected over the next few months</p>	<p>I recommend that these changes are</p> <ul style="list-style-type: none"> - Included in 2019-20 budget planning - Added to risk assessments - Included in insurance policies 	<p>Yes, this has occurred – eg risk assessment for Hurst Meadows</p>

Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
<p>I identified 4 transactions wrongly accrued into the 2018-19 financial year, amounting to £3,862.</p>	<p>These should be transferred to 2019-20 as the invoices show these relate to services delivered after 1 April 2019. I advised the accounts should be adjusted to correct this error.</p>	
<p>The Council may need to consider setting up a reserve for Court Bush Hall to fund future repair costs, although I note the Council has included £9k in the 2019-20 budget to cover such costs</p>	<p>Use unspent budget to fund repairs reserve</p>	

<p>I noted 2 expenditure transactions amounting to £1k wrongly coded to an income ledger code.</p>	<p>These should be journaled to the relevant expenditure code.</p>	
<p>I note that the bank statements for the Cambridge And Counties accounts were not those for 31 March. I recommend that these are obtained prior to submission of the accounts to the external auditors.</p>	<p>I recommend that these are obtained prior to submission of the accounts to the external auditors.</p>	