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Our Ref: MARK/HEN001

Mr K Wright
Henfield Parish Council
The Henfield Hall
Henfield
West Sussex
BN5 9DB

2nd May 2019

Dear Kevin

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

Following completion of our year-end internal audit on the 2nd May 2019 and our interim audit on 12th December 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. 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.

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 Henfield Parish Council are well established, and followed. The Clerk is very 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 Kevin for his assistance and whilst my report contains recommendations to change these are not indicative of any failings, but rather are pointers to improving upon an already well ordered system.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The council continues to use Sage and Excel as a day to day accounting package. The system is used at least weekly to report on and record the financial transactions of that of the Council. The Clerk/RFO is the sole user. The spreadsheets are kept on the Clerks computer and access is via this only. In the event of incapacity access is available to this computer.

Backups are taken to a cloud drive. At interim audit it was recommended for this to be tested to ensure they can be restored. At year-end, this was found to have been checked and the information correctly restored. Periodic checks are diarised for future checking.

At month end and to coincide with the scheduled committee meetings the Clerk reports on income and expenditure and bank reconciliations. This is a clear and easy to follow system and a review of the reports shows that all data fields are being populated.

The council has circa 70 transactions per month, the sage system and spreadsheets are fit for purpose for a council of this size. The Clerk is aware of the impending Making Tax Digital changes and will check the compatibility of the existing accounting packages.

My audit testing also showed that supporting hard copy documentation could be easily located from the system entries and I was also able to locate the system record from the hard copy documentation. I make no recommendation to change in this system.

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 and the last VAT reclaim was for the period ended 30th September 2018. The repayment was received in October. The council has no requirement to register for VAT.

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 & 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 was not qualified in 2017/18. The external auditors report and internal auditors report have been reported to council.

The notice of conclusion has been taken to council in the October meeting.

I could not locate the completed AGAR on the council website. At interim audit, it was recommended that the website is reviewed to ensure this is posted, there was also a broken link on an earlier annual return that needs fixing. At year-end, this was checked and the information is now posted and broken link fixed.

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 notice to receive information by electronic means - all in line with regulations.

Confirm that the Council is compliant with the relevant transparency code.

I note that the Council is required by law to follow the 2015 Local Government Transparency Code; a review of the web site has shown that the code is being followed.

Confirm that the Council is compliant with the GDPR.

The council is aware of the GDPR. It was noted the Council does not have common internal email addresses for councillors. This 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. I understand this is being introduced shortly. At year-end, it was confirmed that generic @henfield.gov.uk email addresses are now in place for all councillors to use following the election.

In accordance with regulation, the council has a published privacy notice on its website. The wording has been updated to comply fully with the regulations.

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Full Council; meets monthly
- Village Centre; meets monthly
- Open spaces; meets monthly
- Finance; meets monthly
- Museum; meets quarterly
- Planning; meets twice monthly

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks. Spending powers sits with each committee within budget.

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. **I remind council that back up documentation should be posted to the council website along with the agendas so that the public can access them. (Not confidential information though) At year-end, the Clerk confirmed a new website tendering process is underway, which will provide a fully DDA accessible site and the capacity to upload all non-confidential supporting information for agendas. To be reviewed and tested at next interim visit.**

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

Draft and final minutes are uploaded to the council website. The website copy agreed to the signed set retained in the Clerk's office.

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 were readopted in May 2016. A new version is being prepared based on the 2018 NALC model for adoption after the election.

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

Financial Regulations are based on the NALC model and were readopted in January 2018 as evidenced in the minutes and on the web site. 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 3.6 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts and this is minuted in accordance with regulations

The de-minimis limit recorded in the Financial Regulations Para 11.1.h for the competitive purchase of items and services is as listed below.

- £60,000 + Full Tender Process
- £3,000 - £60,000 3 quotations are required.
- £1,000 - £3,000 – strive to get 3 estimates.
- 0 - £1,000 – power to spend

Financial regulation 5 deals with budgetary control and authority to spend. The council has thresholds in place at which authorisations to spend must be obtained. It is noted that the thresholds for authority to spend are as follows:

- Over £10,000 – prior approval by full council
- £0 to £10,000 –and within budget – power to spend

Financial Regulation 6 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations.

Financial regulation 7 deals with making payments. The council makes payments by cheque, direct debit, on-line banking and debit card. Cheques must be signed by two individuals.

I discussed the purchasing system with the Clerk vis-à-vis financial regulations 5, 6 and 7 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 communicated to the relevant department – 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 or committee before the expenditure incurred.
3. The order is made by the Clerk – councillors are not allowed or permitted to place amend or vary orders.
4. The supplier invoice, when received, is reviewed, stamped and annotated by the Clerk. This is batched weekly with other supplier invoices ready for payment.
5. The batch of invoices then used to set up payment on the on-line banking system and a manual payments list is populated. The bank is a dual access system such that the same user cannot both set up and authorise the same transaction. A councillor is invited to attend the office to authorise the payments.
6. The sage system is populated with the payments at this point.
7. The bank statement is printed to show payments set up – this is attached to the payments list and invoices. This is cross checked by a councillor and filed in payment date order.
8. A separate payments list is populated and taken to council for approval in the minutes.

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

S.137 expenditure is within thresholds.

Confirm that checks of the accounts are made by a councillor.

The system noted above details internal review takes place at 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.

C. RISK MANAGEMENT AND INSURANCE (INTERIM AND FINAL AUDIT)

Interim Audit

The council undertakes a full risk assessment that covers operational and financial risks, the simple tabular layout is entirely fit for purpose for a council of this size. This was taken to council in February 2018 and will be taken again in February 2019.

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.

I recommend that council perform an annual review of drivers to ensure they are still licenced to drive. At year-end the Clerk confirmed copies of driving licences are held in the parish office for all authorised drivers.

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)

I confirmed that the 2019-20 budget and precept setting process was underway at the time of our interim audit, with all precepting authority deadlines achievable. A review of the minutes shows discussion and agreement of the same.

As at 30th November total reportable income was £738,747 (annual budget £693,548) and expenditure £465,076 (annual budget £505,800). The additional income is due to S.106 monies of £52,000. The Clerk was able to demonstrate regular reporting to council.

At the end of November the council has £487,215 of combined bank balances. The earmarked reserves were £302,451 leaving general reserve at £184,764. Rule of thumb calculations suggest that 50% of precept as adjusted for local conditions is an acceptable level to hold in general reserve, this equates to £110,000.

At year-end, the general reserve has increased to £227,125 which is higher than normally recommended. However, within this figure is an amount of c £50,000 which will either be spent on the link road project or returned to WSCC which will return the general reserve to a more appropriate level. The Clerk is aware of the position and will review with the council in due course.

Other funds are held in earmarked reserves and are clearly marked for purpose.

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)

The council has various streams of income:

- Precept
- Burials
- Grants
- Interest

Year-end confirmed figures: Precept £222,696 (2018: £180,437), total other receipts £526,477 (2018: 183,845)

The precept income was tested to remittance advice notes, these were properly received and banked. There are no errors to report.

Other income comprises cemetery income, grants and interest these were tested to underlying documentation, together with a nominal ledger analysis. There is no evidence of netting off, nor were there any journal corrections.

The significant increase in total other receipts is due to the link road project which has attracted funding through s.106 monies and other grants.

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 a float of £36 in petty cash, this was tested at the audit date. There were no errors.

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

The payroll is calculated by an external firm to calculate the tax and national insurance using Sage payroll package. The council has fulfilled its obligations in respect of auto-enrolment.

Generally council employees are not paid with reference with NJC scales. Council reviews salaries as market rates dictate.

Monthly 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 November 2018 was paid on time.

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 paid allowances via the payroll on a quarterly basis.

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.

Year-end AGAR figures – Staff Costs £104,941 (2018: £91,901). The figures were checked against accounting reports to confirm accuracy. Increase is due to staff changes and salary increases during the year.

H. ASSETS AND INVESTMENTS (INTERIM AND FINAL AUDIT)

Interim Audit

The council has a detailed fixed asset register in place and there have been some additions 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.

The track of land and link road should be noted as a £1 on the register just to recognise the asset.

Year-end AGAR figures – Total value of cash and short term investments £280,792 (2018: £242,497)

The asset register shows the additions for the year correctly recorded.

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)

The council has seven bank accounts together with petty cash. I have reviewed the reconciliations at November 2018 there were no outstanding payments and no lodgements and no errors or reconciliation differences.

None of the accounts are long term investments and as such do not need to be disclosed in box 9 of the AGAR.

In time council may want to consider consolidation of the accounts to get a better return. At year-end, the Clerk confirmed that 2 accounts have been closed and that the council continues to review other options for better returns and taking into the protection offered by the Financial Services Compensation Scheme (FSCS).

I am of the opinion 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 with a box 7 and 8 reconciliation completed and verified.

The annual return correctly casts and cross casts and the comparatives have been correctly copied over from the 2017/18 annual return. There are no rounding errors on the accounting statement.

The variance analysis has been completed with explanations where required. I have recommended adding further explanations to the variance for box 2 to include a breakdown of figures. Other variances are completed with more detailed explanations.

The year-end bank reconciliation agrees with the figure entered in box 8 of the AGAR.

The council has made provision within its schedule of meetings to sign off the annual governance statement and accounts in time to display the notice of elector’s rights.

An agenda item for the next meeting has been included to sign off the Governance Statement and Accounting Return and to receive and review the internal audit report. Last year’s internal audit report was minuted as being reviewed in June 2018. The Clerk is aware of the need to ensure the notice of completion of audit is also reported to Full Council at a suitable meeting.

I am of the opinion the accounts and annual return are ready for submission to the external auditor.

K. TRUSTESHIP (INTERIM AUDIT)

The council has two trusts for which it is sole managing trustee. It keeps separate records and accounts.

1. The Kings Field [270451] for the provision of sporting and recreational facilities and an open space for the residents of Henfield.
2. The George William Rothery fund [1005503] for the provision of sport and recreational facilities, including buildings, play area and open spaces for use by residents of Henfield

All filing is up to date no charitable funds are received by the council into its bank accounts.

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

This new internal control objective is not active for 2018-19 financial year. However, I confirmed with the Clerk that arrangements are in place at this council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

Inspection - Key date	2017-18 Actual	2018-19 Proposed
Accounts approved at full council	19 June 2018	8 May 2019
Date Inspection Notice Issued and how published	20 June 2018 on website and noticeboards	31 May 2019 on website and noticeboards
Inspection period begins	25 June 2018	3 June 2019
Inspection period ends	3 August 2018	12 July 2019
Correct length	Yes	Yes
Common period included?	Yes	Yes
Summary of rights document on website?	Yes - Attached to inspection announcement	Yes - Attached to inspection announcement

I am satisfied the requirements of this control objective were met for 2017-18, and assertion 4 on the annual governance statement can therefore be signed off by the council. Plans are also in place to allow for inspection periods to be published and set correctly for 2018-19 accounts – the council is planning to follow dates suggested by external audit.

Should you have any queries please do not hesitate to contact me, attention.

Kind regards
Yours sincerely



Andy Beams

Interim Audit - Points Forward

Audit Point	Audit Findings	Council comments
Books of account	Backups are taken to a cloud drive. It is recommended this is tested to ensure they can be restored.	Checked at year-end – testing confirmed ability to restore data and periodic checks are now diarised.
Governance	I could not locate the audited AGAR for 2017-18. I recommend the website is reviewed to ensure this is posted, there was also a broken link on an earlier annual return that needs fixing.	Checked at year-end – 2017/18 AGAR now on website and broken link fixed.
GDPR	In accordance with regulation, the council has a published privacy notice on its website, however some of the wording will need updating as data protection act is still mentioned.	Checked at year-end – wording amended to meet correct legislative requirements.
Agendas	I remind council that back up documentation should be posted to the council website along with the agendas so that the public can access them. (Not confidential information though)	Remains outstanding
Insurance	I recommend that council perform an annual review of drivers to ensure they are still licenced to drive.	Checked at year-end – confirmed with Clerk that copies of licences are held for all authorised drivers.
Bank and cash	In time council may want to consider consolidation of the accounts to get a better return in future.	Checked at year-end – some consolidation completed and ongoing review of remaining accounts for better returns and taking into account FSCS protection limits.