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Our Ref: MARK/MIL005

Ms V Williams
Milland Parish Council
18 West Meade
MILLAND
West Sussex
GU30 7NB

5th May 2021

Dear Viki

Re: Milland Parish Council
Internal Audit Year Ended 31st March 2021

Executive Summary

Following completion of our internal audit on the 5th May 2021 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. **Testing requirements are shown in Red** and where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified, followed by recommended minimum testing requirements. Each section is then concluded with an opinion as to whether the assertion has been met or not.

Whilst my report contains recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already established system. Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk. However, it is clear that the financial regulations and day to day practices are somewhat adrift. My overriding recommendation would be, that the financial regulations are reviewed carefully and then tailored to the councils needs as appropriate. I would caution against removing regulations, I would prefer to see day to day practices enhanced to match the requirements instead.

In respect of the financial elements of the AGAR – I have found it necessary to amend these as shown in the table in my report.

It is my opinion that the AGAR will now be ready for submission to the external auditor and that for the 2022 council year the council will greatly benefit from an interim visit that will focus on governance and policy.

Regulation

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. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit’s function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.

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.

Independence & Competence

Your audit was conducted by Mark Mulberry of Mulberry & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor is a qualified practicing accountant with over 20 years’ experience as a registered statutory auditor.

Engagement Letter

An engagement letter was issued on the 1st September 2020 covering the 2020/21 internal audit assignment. Copies of this document are available on request.

Planning & Inherent Risk Assessment

The scope and plan of works including fee structure was issued to the council on the 1st September 2020 under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR.

- There have been no instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is my opinion that the inherent risk of error or misstatement is low and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be “walk through testing” on sample data to encompass the period of the council year under review.

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A. BOOKS OF ACCOUNT

Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

Recommended Minimum Testing

- Ensure the correct roll forward of the prior year cashbook balances to the new financial year
- Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained

The Council continues to use excel as a day to day accounting package, and there are circa 100 transactions in total. For a council of this size this is entirely appropriate and I make no recommendation to change.

I did note that the on the “payments tab” columns “E&F” appeared to be a duplicate of columns “T&U” and as such are not required. In addition to this, column S should be an automatic sum of the preceding columns i.e. not hard typed in – this will provide a cross check that the populated cells have been populated correctly. I noted a number of the cells contained the gross payment amount where there was in fact VAT – this will cause discrepancies when analysing expenditure against budget. **I recommend the payments tab is updated to reflect these changes.**

I tested opening balances as at 1/4/20 and confirmed they could be agreed back to the audited accounts for 2019/20.

I was also able to prove without error the transactions of two months from the cashbook to the bank statements and visa versa.

The Council is not VAT registered and there was no evidence of any VAT refund receipts in year; however, it would appear the last reclaim was for the period June 2018 to February 2020 which will yield a refund of £572.26 when submitted – there will be a further £563.42 to reclaim for the period Feb 2020 to March 2021. **I recommend the VAT reclaim is made part of the year-end process to ensure regular receipt of VAT.**

Overall, I have the impression that the accounting systems orderly and routinely maintained and as such I make no recommendation to change.

Section Conclusion

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

Internal audit requirement

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

Recommended Minimum Testing

- Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version.
- Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents)
- Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation
- Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments
- Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements
- Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place

Check the publication & minuting of the prior year audited AGAR and notice of conclusion of audit.

The external auditors report was qualified in 2019/20 on the basis the RFO approved the accounts after council approval.

The conclusion of audit was reported to full council Minute 863 (d) 12/11/2020; however, it makes no reference to the audit qualification. This is not in the spirit of transparent reporting and does not draw attention to the importance of council being fully informed so that corrective future action can be taken.

The notice of conclusion of audit and audited AGAR have been properly posted to the council website.

Evidence was noted in the minutes of the annual meeting of the internal auditor's report being reviewed and accepted.

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, in line with regulations. The councillors also sign acceptance to receive information by electronic means.

Confirm that the Council is compliant with the GDPR.

As council is aware of GDPR and has a GDPR privacy notice & accessibility statement accessible from the home page of the website. A common email system such as cllr.name@Milland..... 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.

It was noted that the councillors personal home addresses and contact details are available from the website – this is not incorrect but it is unusual. It is normal for there to be a councillor name and email with contact phone via the parish council office. **I would recommend council review its privacy policy for councillors.**

Confirm that the Council meets regularly throughout the year

The council meets as follows:

- Full Council; meets circa bi monthly
- Planning committee
- Finance & General Purposes Committee
- Environment & Amenities committee

Check that agendas for meetings are published giving 3 clear days' notice.

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.

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

Minutes from January 2020 to March 2021 are available on the website

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 are dated 2018. **I have reviewed the minutes for the period January 2020 to March 2021 and I could find no evidence of standing orders being reviewed or re-approved by council. It is recommended that these be reviewed at least once a council year.**

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

The financial regulations are based on the NALC model and are dated 2019. 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. It was noted that there is both a website version (published) and an unpublished partially tailored version because they still contain some square brackets. **I recommend the regulations are reviewed and squared bracketed items amended as necessary and then published appropriately.**

I have reviewed the minutes for the period January 2020 to march 2021 and I could find no evidence of financial regulations being reviewed or re-approved by council. Financial regulation 18.1 says these shall be reviewed from time to time and it is recommended that this be at least once a council year.

Check that the council's Financial Regulations are being routinely followed.

Financial regulation 2.2 deals with bank reconciliations; *"On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman [or a cheque signatory] shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council [Finance Committee]."*

Financial regulation 4.1 deals with budgetary control and authority to spend; *"Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:*

- the council for all items over [£5,000];*
- a duly delegated committee of the council for items over [£500]; or*
- the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below [£500].*

Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk, and where necessary also by the appropriate Chairman.

Contracts may not be disaggregated to avoid controls imposed by these regulations."

Financial Regulation 5 deals with authorisation of payments. *"The RFO shall prepare a schedule of payments requiring authorisation, forming part of the Agenda for the Meeting and, together with the relevant invoices, present*

the schedule to council [or finance committee]. The council / committee shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the council [or finance committee]. The approved schedule shall be ruled off and initialled by the Chairman of the Meeting. A detailed list of all payments shall be disclosed within or as an attachment to the minutes of the meeting at which payment was authorised. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.”

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit, credit card and on-line. Cheques must be signed by two individuals.

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

- £25,000 + Tender Process
- £3,000 - £25,000 3 quotations are required.
- £100 - £3,000 – strive to get 3 estimates
- 0 - £100 – power to spend

I have noted in the minute's payments lists and also noted council approval of larger expenditure items. There are no items of expenditure greater £3k for which quotations were required

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.21 per elector.

The council has made £150 of S.137 expenditure. This is within thresholds.

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 reviewed the cashbook for evidence of netting off and significant journal entries, the individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

Overall, I found no significant breaches that warrant a “no” answer on the AGAR. I get the impression the council has procedures, policies and controls in place; however, the day to day practices are somewhat disconnected from the financial regulations in place and therefore improvements can be made to the internal systems and controls.

It is clear council discusses expenditure items but the minuting of such discussions in many respects does not convey this, nor do they actually show a council resolution to approve. “Council RESOLVED TO APPROVE the expenditure”. **I therefore recommend the financial regulations are reviewed in detail and day to day practices amended.**

Section Conclusion

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

Internal audit requirement

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Recommended Minimum Testing

- Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc
- Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security
- Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation

The Council has a simple risk assessment published on its web site dated October 2019. The tabular format is entirely fit for purpose for a council of this size. I did note that on page 2 of the document there are references to some historic dates – these may want updating.

Financial regulation 17.1 stats that the council will review this at least annually. I have reviewed all the minutes and can find no reference to council approving the risk assessments. **I recommend the council review and approve the risk assessment annually.**

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.

Section Conclusion

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

Internal audit requirement

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Recommended Minimum Testing

- Ensure that the full Authority, not a Committee, has considered, approved and adopted the annual precept in accordance with the required parent Authority timetable
- Ensure that budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances
- Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances
- Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process
- Ensure that the precept in the accounts matches the submission form to the relevant authority and the public record of precepted amounts

Financial regulation 3 details the council's obligation to prepare budgets and agree a precept. I note the text contains a number of square brackets. **I would recommend that this regulation be reviewed and day to day practices updated.**

I note the councils detailed workings of the budget and the minutes of the meetings dated 3rd September, 12th November 2020 & 14th January all make mention of a discussion of the precept for 2020-21; however, none of them go so far as to indicate that council resolved to approve the budget and precept requirement. It is clear council discusses the budget items but the minuting of such discussions in many respects does not convey this, nor do they actually show a council resolution to approve. "Council RESOLVED TO APPROVE the budget and precept requirement". **I therefore recommend the council retrospectively re-approve the 2021/22 budget as soon as possible make reference to the original approval meeting.**

The council has £10,381 of total reserves of which £3,070 are earmarked and £7,311 are general reserves. In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £19k. Reserves are low and council will need to have careful cash flow management going forward.

Section Conclusion

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

Internal audit requirement

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Recommended Minimum Testing

- Review "Aged debtor" listings to ensure appropriate follow up action is in place
- Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.
- Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates)
- Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised
- Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time
- Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income
- Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked

The council has precept, grant and interest income. The precept was tested to third party evidence provided to the auditor and has been correctly shown in box 2 of the AGAR.

It is noted that there are £2,091 of receipts relating to payments made in error – i.e. refunds. In these instances, it is correct procedure to offset the expenditure in box 6. I have amended the AGAR figures within this report.

There are no annual charges.

There is no indication that the council should be registered for VAT.

Section Conclusion

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

Internal audit requirement

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

Not applicable – no petty cash

G. PAYROLL

Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

Recommended Minimum Testing

- Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract
- Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability
- Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours
- Ensure that appropriate tax codes are being applied to each employee
- Where free or paid for software is used, ensure that it is up to date.
- For the test sample of employees, ensure that tax is calculated appropriately
- Check the correct treatment of Pension contributions to either the Local Government pension scheme (non - taxable, deducted from the gross salary or DC schemes like NEST which already allow for tax deductions
- For NI, ensure that the correct deduction and employer's contributions are applied: NB. The employers allowance is not available to councils but may be used by other authorities
- Ensure that the correct employers' pension percentage contribution is being applied
- Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies

The council uses a payroll package to calculate the tax and national insurance. The council has fulfilled its obligations in respect of auto-enrolment and has a pension scheme in place.

I tested the year to date tax for an employee – there were no errors. I am of the opinion salaries are correctly calculated and paid.

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

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 not paid allowances.

Section Conclusion

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

Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

Recommended Minimum Testing

Tangible Fixed Assets

- Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets
- Physically verifying the existence and condition of high value, high risk assets may be appropriate
- Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement
- Additions and disposals records should allow tracking from the prior year to the current
- Ensure that the asset value to be reported in the AGAR at Section 2, Box 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and /or disposals
- Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or "self-insured" by the Authority

Fixed asset investments

- Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the "Investment Strategy" and reported as Assets in the AGAR at Section 2, Box 9.

Borrowing and Lending

- Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired
- Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt
- Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at Section 2 Box 5
- Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the AGAR at Section 2, Box 10 (value should be verified via the DMO website)
- Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt

The Council has a simple fixed asset register in place. Assets are correctly stated at historic or proxy cost. However, I am of the opinion that as a working document the register needs further work. **I would recommend that the following as a minimum are added to the register.**

- 1. The blank columns/cells on the existing register where possible are populated.**
- 2. A replacement value estimate. This will give an indication as to the level of expenditure required to replace assets so that a determination can be made as to whether an earmarked reserve would be appropriate.**
- 3. Last physically vouched indicator – this would correspond with financial regulation 14.6 that states an annual review should take place.**

The loan interest and capital repayments were agreed to PWLB debt management letters and bank statements; however, the movement from the agreed opening position (per PWLB) to the balance shown on the closing statement and evidence provided by PWLB directly does not agree, as shown in the table below. **I recommend the**

AGAR show the correct balance of £20,963 and that PWLB be contacted without delay to ascertain the reason the closing statement is incorrect. I would also recommend the external auditor be informed of this as they will be using the same evidence provided to me for their review and they may well conclude the council has input the incorrect balance on the AGAR.

	b fwd	Repaid	Repaid	cfwd	Cfwd Per Pwlb	variance
PW498544	17,333.39	(1,686.93)	(1,659.73)	13,986.73	14,666.73	(680.00)
PW499279	8,286.21	(654.95)	(654.95)	6,976.31	7,197.55	(221.24)
	25,619.60	(2,341.88)	(2,314.68)	20,963.04	21,864.28	(901.24)
	agrees to PWLB info for 2020	agrees to bank and statements				
		(4,656.56)				

The Council does not hold any long term investments i.e. over 1 year.

Section Conclusion

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

Internal audit requirement

Periodic and year-end bank account reconciliations were properly carried out.

Recommended Minimum Testing

- Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members
- Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, Section 2, Box 8.
- Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation there were no outstanding payments and no outstanding lodgements. I also tested the cut off and can confirm the payments and lodgements are shown in the correct year.

I noted in the minutes regular reporting of the income and expenditure and closing cashbook balances; however, I could find no reference to bank reconciliations being presented and approved by council in accordance with financial regulation 2.2. **I recommend this regulation be reviewed and the day to day activities of the council be updated accordingly.**

Section Conclusion

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

Internal audit requirement

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.

Recommended Minimum Testing

- Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein
- Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end

The council, at its meeting to sign off the year-end accounts, must discuss the Annual Governance Statement and record this activity in the minutes of the meeting. Based on the internal audit finding, I recommend using the table below as the basis for that discussion. THIS MUST BE A SEPARATE AGENDA ITEM TO THE SIGNING OF THE ANNUAL ACCOUNTS.

Section 1 – Annual Governance Statement

	Annual Governance Statement	<i>'Yes' means that this authority</i>	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	YES – receipts & payments accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	YES – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	YES – the Clerk is experienced and advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	YES – the requirements and timescales for 2018/19 year-end were followed.

5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	YES – the council has a risk management scheme and appropriate external insurance.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	YES – the council has appointed an independent and competent internal auditor has completed two audits during the year.
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	YES – where matters are raised, action taken by council is recorded in the minutes.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements.	<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	YES – no matters were raised during the internal audit visits.
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	Yes – the council has met its responsibilities.

Section 2 – Accounting Statements

Agar Box Number		2019/20	2020/21	Auditor Notes
1	Balances brought forward	18,136	19,865 19,866	Needs to agree to 2020 cfwd
2	Precept or Rates and Levies	34,118	37,760	Agrees to third party evidence provided to auditor
3	Total other receipts	2,784	3,904 1,813	Refunds are offset against expenditure
4	Staff costs	9,638	26,121	Agrees to underlying records
5	Loan interest/capital repayments	4,765	4,656	Agreed to statements
6	All other Payments	20,769	20,371 18,281	Need to adjust for refunds and account for £1 rounding
7	Balances carried forward	19,866	10,381	Casts correctly agrees

8	Total value of cash and short term investments	19,866	10,381	Agrees to reconciliation
9	Total fixed assets plus long term investments and assets	44,614	54,117	Agrees to register
10	Total borrowings	25,620	20,964	Movement agreed -PWLB closing statement not in agreement

11	For Local Councils Only) Disclosure note re Trust funds (including charitable)	YES	NO	No trusts
		✓		

The year-end accounts have been correctly prepared on the receipts & payments basis with no requirement for a box 7 & 8 reconciliation.

The variance analysis was required because there were variances greater than 15% and £500. This was properly prepared on a summary table basis showing the financial elements and explanatory narrative. **However, this will need updating due to the changes recommend above.**

The council had made provision within its schedule of meetings to sign off the annual governance statement.

Section Conclusion

I am of the opinion 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. LIMITED ASSURANCE REVIEW

Internal audit requirement

If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")

Not applicable

L: TRANSPARENCY

Internal audit requirement

If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/ webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.

Not applicable

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).

Recommended Minimum Testing

- IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.
- IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

Due to the Covid 19 outbreak during the 2020/21, the statutory deadlines had been changed for the 2019/20 AGAR as follows:

The publication date for final, audited, accounts was moved 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 was removed. Instead, local authorities must have commenced the public inspection period on or before the first working day of September 2020.

This meant that draft accounts must have been approved by 31 August 2020 at the latest.

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 (SI 2020/404 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020) implementing these measures were laid on 7 April 2020 and came into force on 30 April 2020.

I confirmed with the RFO that arrangements are in place at this Council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require that the statement of accounts prepared by the authority (i.e. the Annual Governance & Accountability Return (AGAR) Part 2), the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records must be made available for inspection by any person interested, during a period of 30 working days set by the smaller authority and including the first 10 working days of July.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	7 May Full Council	
Date Inspection Notice Issued and how published	2 June	6 th June
Inspection period begins	3 June	7 th June
Inspection period ends	14 July	17 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

Section Conclusion

I am of the opinion that the control assertion of *“The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set):”* has been met.

N. PUBLICATION REQUIREMENTS

Internal audit requirement

The authority has complied with the publication requirements for 2019/20 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:

Recommended Minimum Testing

- IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.
- IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

Before 1 July 2021 authorities must publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;
- Section 1 - Annual Governance Statement 2020/21, approved and signed, page 4
- Section 2 - Accounting Statements 2020/21, approved and signed, page 5

Not later than 30 September 2021 authorities must publish:

- Notice of conclusion of audit
- Section 3 - External Auditor Report and Certificate
- Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

I have reviewed the councils' website and can confirm there is evidence that the council does comply with the publication requirements.

Section Conclusion

I am of the opinion that the control assertion of "The authority has complied with the publication requirements for 2019/20 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:" has been met.

O. TRUSTEESHIP

Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

Recommended Minimum Testing

- Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements
- that the council is the sole trustee on the Charity Commission register
- that the council is acting in accordance with the Trust deed
- that the Charity meetings and accounts recorded separately from those of the council
- review the level and activity of the charity and where a risk based approach suggests such, review the Independent Examiners report

The council is the sole managing trustee of the Milland Recreation Ground – Charity no. 1073462.

The council website shows separate minutes for the charity.

There is no evidence of charitable funds being received by the council.

Section Conclusion

I am of the opinion that the control assertion of “Trust funds (including charitable) – The council met its responsibilities as a trustee” has been met.

No trusts.

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

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

Audit Point	Audit Findings	Council comments
Cashbook	I recommend the payments tab is updated to reflect these changes.	
VAT	I recommend the VAT reclaim is made part of the year-end process to ensure regular receipt of VAT.	
GDPR	I would recommend council review its privacy policy for councillors.	
Standing Orders	I have reviewed the minutes for the period January 2020 to March 2021 and I could find no evidence of standing orders being reviewed or re-approved by council. It is recommended that these be reviewed at least once a council year.	
Financial regulations	<p>I recommend the regulations are reviewed and squared bracketed items amended as necessary and then published appropriately.</p> <p>I have reviewed the minutes for the period January 2020 to March 2021 and I could find no evidence of financial regulations being reviewed or re-approved by council. Financial regulation 18.1 says these shall be reviewed from time to time and it is recommended that this be at least once a council year.</p> <p>It is clear council discusses expenditure items but the minuting of such discussions in many respects does not convey this, nor do they actually show a council resolution to approve. "Council RESOLVED TO APPROVE the expenditure". I therefore recommend the financial regulations are reviewed in detail and day to day practices amended.</p>	
Risk	Financial regulation 17.1 states that the council will review this at least annually. I have reviewed all the minutes and can find no reference to council approving the risk assessments. I recommend the council review and approve the risk assessment annually.	
Budgets	<p>Financial regulation 3 details the council's obligation to prepare budgets and agree a precept. I note the text contains a number of square brackets. I would recommend that this regulation be reviewed and day to day practices updated.</p> <p>I recommend the council retrospectively re-approve</p>	

	the 2021/22 budget as soon as possible make reference to the original approval meeting.	
Fixed assets	The fixed asset register needs to be updated to be more a working document.	
PWLB	I recommend the AGAR show the correct balance of £20,963 and that PWLB be contacted without delay to ascertain the reason the closing statement is incorrect. I would also recommend the external auditor be informed of this as they will be using the same evidence provided to me for their review and they may well conclude the council has input the incorrect balance on the AGAR.	
Bank reconciliation	I noted in the minutes regular reporting of the income and expenditure and closing cashbook balances; however, I could find no reference to bank reconciliations being presented and approved by council in accordance with financial regulation 2.2. I recommend this regulation be reviewed and the day to day activities of the council be updated accordingly.	