



## MULBERRY & CO

Chartered Certified Accountants  
Registered Auditors  
& Chartered Tax Advisors

9 Pound Lane  
Godalming  
Surrey, GU7 1BX

t + 44(0)1483 423054  
e office@mulberryandco.co.uk  
w www.mulberryandco.co.uk

Our Ref: MARK/RUD001

Mrs J Foote  
Rudgwick Parish Council  
Rudgwick Village Hall  
Bucks Green  
Rudgwick  
West Sussex  
RH12 3JJ

3<sup>rd</sup> December 2019

Dear Jonna

**Re: Rudgwick Parish Council  
Internal Audit Year Ended 31<sup>st</sup> March 2020**

Following completion of our interim internal audit on the 3<sup>rd</sup> December 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 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 recommendations from the interim visit have been answered in the table 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 & 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 Rudgwick Parish Council are well established, and followed. The clerk is very experienced and ensures the council follows best practice regulations. 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 Jonna for her assistance, on this occasion there are no recommendations to improve the well-ordered system.

## **A. BOOKS OF ACCOUNT (INTERIM AUDIT)**

The Council continues to use RBS as a day to day accounting package, this is a tried and tested industry specific package and I make no recommendation to change in this system. The RBS system is used weekly to report on and record the financial transactions of that of the Council. There are two users with a shared logon.

- Clerk - Financial oversight, budgeting, reporting to council
- Assistant Clerk - is responsible for the purchase & sales ledger, cashbook and bank reconciliations.

Every month a bank reconciliation is performed, income & expenditure against budget reports and a list of payments are printed and filed in month order. The hard copy reports are easy to read and logically filed. My audit testing showed that supporting documentation could be easily located from records. This is a clear and easy system to follow and I make no recommendation to change.

I tested opening balances as at 1.4.19 and confirmed they could be agreed back to the audited accounts for 2018/19.

The Council is not VAT registered. The last VAT reclaim was for the period ended 30<sup>th</sup> September 2019 which showed a refund position, this was received in October 2018 and I verified this to the bank statements and cashbook. This indicates that the council is up to date with its postings on the financial package.

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

I am of the opinion that the control assertion of "Appropriate accounting records have been properly kept throughout the financial year" has been met.

## **B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT)**

### **Interim Audit**

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

External auditors report was not qualified in 2018/19. Although a note was made. This was correctly reported to council in October 2019. The Internal audit report was correctly taken to council in June 2019.

*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 acceptance to receive information by electronic means.

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

The Council is required by law to follow the 2015 Transparency Code; a review of the web site has shown that this is being followed. The clerk also demonstrated the clerks weekly report and other information posted to the web site. This was clear and open and is very much in accordance with best practice.

*Confirm that the Council is compliant with the GDPR.*

The council is aware of the GDPR. It was noted the Council has common email addresses internally which is recommended because it gives a natural segregation between personal and councillor business so it is clear beyond doubt in what capacity a councillor is acting, gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

The council has a privacy notice on its website.

*Confirm that the Council meets regularly throughout the year*

The council has the following committees:

- Full Council; meets circa monthly (includes planning)
- Finance, Policy & Human Resources ; meets three times per annum
- Halls & Recreation; meets circa two times per annum

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks each committee has spending powers.

*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.

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

Minutes are uploaded to the council website. These could be agreed to the hard signed copies.

*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 May 2019.

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

Financial regulations are based on the NALC model and are dated September 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.

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

Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts and this is minuted in accordance with regulations.

Financial regulation 4 deals with budgetary control and authority to spend. The council has thresholds in place at which authorisations to spend must be obtained. It is noted that the thresholds for authority to spend at para 4.1 are as follows:

- Over £5,000 – prior approval by full council
- £1,000 - £5,000 - prior approval by delegated committee
- £500 to £1,000 – discussion with chair
- £0 - £500 – clerk power to spend within budget heading

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

- £60,000 + 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 authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations.

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit, debit card (£500) and on-line banking. Cheques must be signed by two individuals.

I discussed the purchasing system with the RFO vis-à-vis financial regulations 4, 5 & 6 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 noted to the clerk/RFO – 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 committee before the expenditure is incurred. My audit testing showed via the minutes that there is an appropriate discussion of expenditure before the orders are placed.
3. The order is made via the office – councillors are not allowed or permitted to place amend or vary orders.
4. The supplier invoice, when received, is reviewed by the clerk this is then batched and a payment slip attached.
5. Councillors are invited to attend the office to sign the attached payment slip
6. The payments are made by on-line banking. The clerk sets up the payment and the councillors authorise. This is a dual access system and as such the originator cannot on their own authorise the same transaction, further authorisations are required by councillors. This is a natural segregation of duties. All payments are required to be authorised by three people, the originator (clerk) being one of them. The same applies to cheques; the clerk and two councillors. (There are three councillors that are registered as signatories)
7. The approved paid supplier invoices are posted to the financial reporting package.

Financial regulation 7 deals with approval and authorisation of salaries, the minutes and files show evidence of authorisation of changes and of wages generally.

*Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.12 per elector.*

The council has one payment – this is below the 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 & INSURANCE (INTERIM & FINAL AUDIT)**

### **Interim Audit**

The council has a risk management policy dated May 2019. The Council undertakes an annual risk assessment, this is in a comprehensive table format, which is entirely suitable for a council of this size.

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.

We discussed assertion 8 of the AGAR and whether or not this had any impact on the council.

*“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 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 (INTERIM & FINAL AUDIT)**

##### **Interim Audit**

I confirmed that the 2020/21 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 30<sup>th</sup> November total reportable income was £161,318 (Annual Budget £144,025), and expenditure £101,668 (annual budget £117,600). The over budgeted income is due to VAT refunds. The clerk was able to demonstrate robust reporting against budget.

I have reviewed the list of earmarked reserves; it is anticipated at the year-end date the council has £113k with a general reserve of circa £46k. Rule of thumb calculations suggest that a general reserve equivalent to 50% of precept is adequate. This is set at the correct level for a council of this size.

I am of the opinion that the control objective of “The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate” has been met.

#### **E. INCOME (INTERIM & FINAL AUDIT)**

##### **Interim Audit**

The council has various streams of income:

- Precept
- Rentals – rooms.
- Grants
- Interest

Both tranches of precept have been received. The council last reviewed its room rental charges in October 2019 with a 3% increase in April 2020..

I am of the opinion that the control objective of “Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for” has been met.

#### **F. PETTY CASH (INTERIM AUDIT)**

The council has no petty cash.

## **G. PAYROLL (INTERIM & FINAL AUDIT)**

### **Interim Audit**

The council uses an external firm to calculate the tax and national insurance. The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS.

Employees are paid with reference with NJC scales for consistency purposes.

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 2019 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 not paid allowances.

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.

## **H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)**

### **Interim Audit**

The Council has a fixed asset register in place. Assets are correctly stated at historic or proxy cost. The fixed asset register has been maintained in an Excel spreadsheet.

The Council does not hold any long term investments i.e. over 1 year. Any addition to the asset register is normally with a cost value greater than £1,000.

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 (INTERIM & FINAL AUDIT)**

### **Interim Audit**

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

I reviewed the bank reconciliation at November 2019 – there were no errors.

I am of the opinion that bank and cash balances are properly shown on the AGAR and that the control objective of "Periodic and year-end bank account reconciliations were properly carried out" has been met.

## **J. YEAR END ACCOUNTS (FINAL AUDIT)**

TBC at year end.

## **K. TRUSTESHIP (INTERIM AUDIT)**

The council is sole managing trustee for King George's Field Rudgwick 1082090. Charities matters are up to date.

## **L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS**

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.

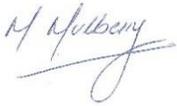
| Inspection - Key date | 2018-19 Actual | 2019-20 |
|-----------------------|----------------|---------|
|-----------------------|----------------|---------|

|  |   |   |
|--|---|---|
| <b>Accounts approved at full council</b>               | 10 June 2019                              |   |
| <b>Date Inspection Notice Issued and how published</b> | 11 June 2019 on website and noticeboards  |   |
| <b>Inspection period begins</b>                        | 12 June 2019                              |   |
| <b>Inspection period ends</b>                          | 23 July 2019                              |   |
| <b>Correct length</b>                                  | Yes                                       | Yes                                       |
| <b>Common period included?</b>                         | Yes                                       | Yes                                       |
| <b>Summary of rights document on website?</b>          | Yes - Attached to inspection announcement | Yes - Attached to inspection announcement |

I am satisfied the requirements of this control objective were met for 2018-19, and assertion 4 on the annual governance statement can therefore be signed off by the council.

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

Kind regards  
Yours sincerely



**Mark Mulberry**