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Our Ref: MARK/WOR001

Mrs G White
Worplesdon Parish Council
West View
84 Rydes Hill Road
Guildford
Surrey
GU2 9UG

16 May 2018

Dear Gaynor

Re: Worplesdon Parish Council
Internal Audit Year Ended 31st March 2018

Following completion of our final internal audit 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.

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.

The results of my interim and final audits can be seen below. 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. I have identified a small number of recommendations for consideration by the Council. These are set out in the table at the end of this document.

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

It is our opinion that the systems and internal procedures at Worplesdon Parish Council are very well established, regulated and followed. The Clerk is very experienced and ensures the council follows best practice regulations and has over time adapted and changed the internal procedures as regulations and technologies have changed to maintain compliance.

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. I would like to thank Gaynor for her assistance and hard work.

Final Audit – Summary Findings

I completed the following work at the final audit.

- Review of annual accounts & annual return
- Review of bank reconciliation
- Testing of income and expenditure, second half of financial year
- Review of salaries
- Review of fixed asset register
- Review of information for external auditor.

I am of the opinion that the annual accounts and annual return are ready to be signed off by the Council and the external auditor. Accordingly, I have signed off the annual return.

A. Books of Account

Interim Audit

The Council uses the Scribe accounting system for the recording of its financial day to day transactions. Entries are entered onto Scribe on a regular basis and at the end of the month the clerk produces a monthly bank reconciliation by hand and reconciles this to the scribe entries. On conclusion of the month end the reconciliations and payments list are taken to council for approval and entering into the minutes. This system is well established and has operated effectively for a number of years at Worplesdon.

I tested that the opening balances had been brought forward correctly by agreeing opening cashbook balances back to the audited 2016-17 Annual Return. I was able to confirm that opening balances were correct. I confirmed that the 2016-17 audited accounts and conclusion of audit certificate had been properly published on the Council's website, as required by regulations.

I tested that the Council's VAT accounting was up to date, and confirmed that the September VAT return had been submitted to HMRC. The amount reclaimed could be supported by a schedule of transactions derived from the accounting system.

I am satisfied that the Council's books of account are operating effectively, and I have no recommendation for improvement.

Final Audit

I agreed the statement of accounts back to annual return reports produced by the Council's accounting system, Scribe. 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 accounts cast. Reserves balance could be agreed to the balance sheet produced by Scribe.

I checked comparative figures for the previous financial year disclosed on this year's annual return back to last year's signed accounts. I have noted that the Council has made changes to the comparatives as set out in table 1 below:

Annual Return Reference	2016-7 Audited accounts £	2016-17 figure as disclosed in 2017-18 accounts £	Difference £
Box 5 – Loan Repayments	0	8,282	8,282
Box 6 - All Other Payments	143,482	135,200	(8,282)
Box 10 - Borrowings	0	8,807	8,807

The reason for the adjustment is reclassification of loan repayments, shown as other expenditure in 2016-17 accounts and addition of loan from Guildford BC, not previously shown in the accounts. I confirmed the adjustments to accounting records, and advised the Clerk to mark each box as 'RESTATED' on the statement of accounts

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. I confirmed VAT reclaimed to a schedule of transactions produced by the Council's accounting system.

I have one minor recommendation – the Council should consider setting up a staff costs cost centre to ease production of the annual return at year end. I am satisfied that the Council has met this control objective

B. Financial Regulations & Payments

Interim Audit

The Financial Regulations and Standing Orders were reviewed at the Council meeting in June 2017. I have noted that the financial regulations have been updated to provide clarity as to the process for approving payments to suppliers. These documents are current and I make no recommendation to change at this time.

I have confirmed by sample testing that the Council has a robust process in place to ensure all Councillors sign acceptance of office forms.

I selected at sample of transactions from the general ledger and reviewed for compliance with financial regulations. For all transactions tested I was able to confirm the following:

- Cashbook entry could be agreed back to an invoice from the supplier
- Approval for the payment was recorded in a minute of a council meeting
- Signature of two councilors was viewed on each invoice tested.
- I also confirmed that where appropriate, competitive quotes had been obtained from suppliers.

I am satisfied that the Council has sound procedures in place for the authorisation of payments and that financial regulations were followed for all transactions tested.

I note that the Council regularly uploads payments information to the website, via publication of minutes and goes beyond minimum transparency requirements in disclosure of budgets, asset register / financial policies. I am satisfied that Transparency Code obligations are being met.

I have no recommendations to raise in this area.

Final Audit

Non pay expenditure per box 6 to the accounts is £121,475 (2016-7 £135,200)

I reviewed the cashbook and selected an additional transaction for review. I was able to agree cashbook entry to invoice, and confirm VAT accounting was correct. The invoice had been signed off for payment by 2 councillors and approval at a meeting of the council was viewed in Council minutes. I have now tested 24% of non – pay expenditure and can confirm all was processed in line with financial regulations.

I have suggested that the Clerk should ensure that key governance documents are reviewed in the next 12 months against new models being produced by NALC.

I have identified no errors in my testing of expenditure recorded in box 6 to the accounts.

C. Risk Management & Insurance

Interim Audit

Insurance is with Axa on a standard local authority policy. Asset cover appears adequate, and there is evidence that this is reassessed annually. Fidelity insurance is set at £200K. This is a little low, as Council cash holdings sometimes exceed this level, notably after receipt of the precept. I recommend that the insurers are contacted and the fidelity insurance increased.

The Council has a well-developed risk management scheme in place. I have noted that the formal annual risk assessment will be completed in February 2018. I will review this at my final audit visit. I have reminded the clerk to ensure that the risk assessment is reviewed at a meeting of the Full Council, and that the review is minuted as a separate item.

Final Audit

The Council's risk assessment was approved at the meeting of Full Council on March 22 2018, and an appropriate minute was recorded. The assessment is thorough and appeared appropriate for a Council of this size

I reviewed the financial risk assessment in detail, all expected areas of risk were addressed.

I am satisfied that the Council has met this control objective

D. Budget, Precept & Reserves

Interim Audit

The Council has started drafting its 2017/18 budgets in accordance with regulations. At the time of our audit, the Budget was at its 3rd iteration and was being discussed with Councillors. There is a clear timetable in place to ensure the budget and precept are approved by Full Council by the end of January 2018, thereby ensuring all precepting authority deadlines are met.

I confirmed that Councillors receive regular budget monitoring reports and that review of these reports is evidenced by minute of the relevant meeting.

Final Audit

The 2018-19 budget was approved at meeting of Full Council in January 2018. A small decrease in the precept was produced and precept was appropriately minuted. I reminded the Clerk to include the detailed budget as an appendix to minuted budget approval next year.

There is clear evidence of budget monitoring reporting and quarterly financial reviews in the minutes of Council meetings I reviewed in the course of my final audit.

Reserves at year end were £207,238 (2016-17 £172,968). Earmarked reserves at year end were £96K, leaving a general reserve of £111k. This is around 55% of precept which is around the balance we would recommend for a council of this size and activity.

E. Income

Final Audit

Other income per box 3 to the accounts £29,445 (2016-7 £60,845)

I tested a sample of three transactions amounting to 65% of non-precept income. For all transactions I was able to agree the cashbook entry to remittance advice supplied by the District Council.

Precept per box 2 to the accounts is £197,256 (2016-17 197,526) I confirmed the precept to external notification provided by the external auditors, and can confirm that no grant income is included in the figure for precept.

I have identified no errors in my testing of income

F. Petty cash

No Petty cash – confirmed with the clerk.

G. Payroll

Final Audit

Staff costs per box 4 to the accounts £61,774 (2016-17£54,035)

I selected salary paid to staff on the November 2017 payroll. I was able to agree entry at cashbook back to payslip, approved by 2 councillors. For both payslips, I was able to agree the basic rate of pay on payslip back to approved rate of pay in contract / set out in 2017-18 budget approval.

I have one minor recommendation. I recommend that the Chair of the Staffing Committee writes to staff at the start of each financial year to confirm rate of pay, working hours and NALC pay scale.

I have identified no errors in my testing of payroll.

H. Assets and Investments

Interim Audit

I confirmed that the asset registers are up to date and properly maintained. Detailed testing will be carried out at year end when the asset register will be reconciled to the accounting statements.

Final Audit

Fixed assets per the accounts £ 632,575 (2016-17 £626,537)

I agreed the balance in the accounts to the fixed asset register, and confirmed that the assets are held at cost price. The Clerk was able to demonstrate that changes in the asset register could be tracked to additions and disposals of assets and that these were accounted for on the correct basis.

I am satisfied that fixed assets are accounted for correctly.

I. Bank Reconciliations

Interim Audit

The Council holds monies in four bank / savings accounts. I was able to confirm that the Council reconciles its cash books to bank statements promptly at the conclusion of each month. All bank reconciliations are taken to the next council meeting where they are reviewed by a councillor, who signs off the bank statement and the bank reconciliation. The bank reconciliation is also noted in the minute of the meeting. Savings books are inspected by Councillors when carrying out finance checks. Financial Regulations are being followed

I re-performed the bank reconciliation for September 2017. I was able to confirm all bank balances in the reconciliation back to bank statements / savings books. I also agreed the cash book balance to the Scribe system. The bank reconciliation had been subject to Councillor review and this review properly evidenced.

I am satisfied that the bank reconciliation process is working well. I have no recommendation for improvement in this area.

Final Audit

Year-end bank balance was £207,238 (2016-17 £178, 762). I re-performed the year end bank reconciliation. I agreed balance on the reconciliation back to cashbooks and to bank statement. I confirmed that the year-end bank

reconciliation had been reviewed and signed off by a councillor. There are no reconciling items, as the Council pays suppliers by bank transfer.

I am satisfied that there are no errors in the figure for cash in box 8 to the accounts.

J. Year-end Accounts

The Council has compiled the accounts on the income and expenditure basis, which is correct for a council passing the £200K income and expenditure threshold.

I reviewed working papers prepared for external audit – there is a variance analysis as required, and a reconciliation between boxes 7 and 8 of the Accounts, supported by schedules of debtors and creditors. I advised that the Clerk should only send the exact information requested to the external auditors.

I confirmed the Council is planning to set inspection periods using the template supplied by the external auditors, which ensure regulations are met.

I am satisfied this control objective has been met.

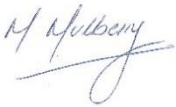
K. Trusteeship

No trusts.

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 - Final Audit

Matter Arising	Recommendation	Council Response
Staff costs are currently extracted from non-pay expenditure when compiling the annual accounts.	Council should consider setting up a staff costs cost centre to ease production of the annual return at year end.	
Payroll - annual salary confirmation	I recommend that the Chair of the Staffing Committee writes to staff at the start of each financial year to confirm rate of pay, working hours and NALC pay scale	