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Our Ref: MARK/WOR001

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

2nd May 2019

Dear Gaynor

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

Following completion of our interim internal audit on the 7th November and our final audit on the 30th April 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 Bank Reconciliations
- Compliance with Regulations
- Salaries and Wages

It is our opinion that the systems and internal procedures at Worplesdon Parish Council are very well established, regulated and followed. The Clerk 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. Systems have been maintained whilst the Council has had the added workload of moving into the new office.

It is clear the Council takes governance, policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose and indeed are a model of good practice. I would like to thank Gaynor and Victoria for their assistance and hard work.

Final Audit – Summary findings

We completed the following work at the final audit.

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

I am of the opinion that the annual accounts and AGAR are ready to be signed off by council and the external auditor and that the AGAR is a true and fair reflection of the financial transaction of that of the council for the year ended 31st March 2019. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT (INTERIM & FINAL AUDIT)

Interim Audit

The Council continues to use 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 and reconciles this to accounting system 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 balance on the bank reconciliation had been brought forward correctly by agreeing opening cashbook balances back to the audited 2017-18 Annual Return.

The Council received a clean audit certificate from the external auditors in 2017-8. I confirmed that the 2017-18 audited accounts and conclusion of audit certificate had been properly published on the Council's website, as required by regulations. The audit opinion was reported to the Full Council meeting of October 2018 and internal audit reports are also reported to council meetings. All regulatory requirements relevant to the 2017-18 annual return have been met.

I tested that the Council's VAT accounting was up to date, and confirmed that the September VAT return had been prepared and was about to be 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 therefore 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.

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

I also confirmed that VAT is up to date, with the return completed and submitted to HMRC for the period to 31.3.19.

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

The Financial Regulations and Standing Orders were reviewed at the Council meeting in May 2018. These have not been updated, I recommend a review of these documents against NALC standards is undertaken in the next 12 months to ensure all best practice changes are included.

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

I selected a 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.

As a larger Council, Worplesdon is required to follow the 2015 Transparency Code. Whilst I am satisfied that the council is largely compliant with requirements of the Code, it is recommended that a "transparency" tab is added to the new website, and all necessary information loaded under this tab. I suggest Crowborough Town council as a good model to follow in this area.

I am satisfied that the Council is meeting the requirements of this control objective.

Final Audit

Non pay expenditure in box 6 to the accounts is £162,331 (£121,475 in 2017-18). Increase of £41K is largely explained by new expenditure on Council office £26K, plus 9K on consultancy fees in response to the Local Plan.

I carried out sample testing of further expenditure items from the second half of the financial year. Again, 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 meeting of the Council
- Signature of two members was viewed on each invoice tested

As a Council with expenditure in excess of £200K, the Council is required to follow the requirements of the 2015 Transparency Code. At the time of my audit, the Clerk was finalising publication of expenditure /procurement/ asset information. This work should be completed before the accounts are submitted to the external auditors.

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

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 (INTERIM & FINAL AUDIT)

Interim Audit

Insurance is with Axa on a standard local authority policy. I reviewed the insurance schedule and confirmed that insurance was in date, with an expiry date of Sept 2019. Asset cover appears adequate, and there is evidence that this is reassessed annually. Asset cover should be reviewed in the next few months in the light of recent playground equipment purchases. Fidelity insurance is set at £250K. This is a little low, as Council cash holdings sometimes exceed this level, notably after receipt of the precept – October balance £274K. I recommend that the insurers are contacted and the fidelity insurance increased. Insurers should also be notified of the office move.

The Council has a well-developed risk management scheme in place. I have noted that the formal annual risk assessment will be completed in the new year. The Council’s risk assessment will be approved at a Council meeting in the new year, and minuted at full council, confirmed with the clerk. I will review this at year end.

The Council backs up IT data to a remote location, with the assistance of an ICT provider. I recommend that this back up is tested annually to ensure all essential data can be retrieved.

I am satisfied that the Council has met this control objective

Final Audit

I confirmed that the Council has carried out a comprehensive risk assessment. This was reviewed at the Extraordinary meeting of the Council in March 2019, and a separate minute recorded. Detailed risk assessments have been completed across a number of subject areas.

I confirmed insurance cover has been increased and that the insurers have been informed of the office move, thereby showing the Council has responded to interim audit recommendations.

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

The Council is currently in the process of developing budgets for the 2019-20 financial year. A first draft had been prepared at the time of my audit, and there was a schedule of meetings in place to ensure a final budget and precept would be ready for approval at the Full Council meeting in January 2019, hereby ensuring all precepting authority deadlines are met.

I confirmed that Councillors receive regular budget monitoring reports at Full Council and that review of these reports is evidenced by minute of the relevant meeting. I checked the minutes of the September meeting of Full Council, and confirmed the budget report was taken to the meeting and properly noted in minutes.

There have been no significant changes to reserves since my last visit. I will audit reserves in more detail at the year - end audit.

I am satisfied that the Council has met this control objective

Final Audit

I confirmed that the 2018-19 budget was approved at the Full Council meeting of January 2019. There is clear evidence within minutes that the budget was properly considered by Council. A minute records the budget and precept for 2019-20 financial year. All precepting authority deadlines were met.

Reserves at year end set out in box 7 to the account were £185,198 (2017/18 £207,613) . Of this £122K is held in general reserves, which is 60% of precept. £62,500 is held in a number of earmarked reserves. General reserves are a little high at present, I recommend that a Council of this size and business profile should hold no more than 50% of precept in the general reserve. I understand that reserves are due for review at the May 2019 Council meeting.

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 (FINAL AUDIT)

Final Audit

Precept per box 2 to the accounts is £196,712 (2017-18 £197,256). I have confirmed precept income to third party notification supplied by the external auditors.

Other income per box 3 to the accounts is £32,881 (2017-18 £29,445).

I tested a small sample of other income from the second half of the financial year. I was able to confirm for all transactions tested that the balance recorded in the general ledger could be agreed back to third party remittance advice / grant notification.

I have identified no errors in my testing of income recorded in box 2 and 3 to the accounts

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 & FINAL AUDIT)

No Petty cash – confirmed with the clerk.

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

Payroll is calculated by an external payroll agency. I carried out testing of salary payments for September 2018. I was able to agree payments recorded in the Scribe ledger back to payroll information supplied by the agency. From this I agreed basic salary for 2 members of staff back to approved rates of pay for the financial year, signed off by the Chair of the staffing committee. I am therefore satisfied that staff are being paid at rates of pay approved by the Council.

This is a robust system and I make no recommendation for change

Final Audit

Staff costs per box 4 of the annual return £89,677 (2017-18 £61,774)

I carried out testing of salary payments for February 2019. I was able to agree payments recorded in the Scribe ledger back to payroll information supplied by the agency. From this I agreed basic salary for 3 members of staff back to approved rates of pay for the financial year, signed off by the Chair of the staffing committee. I noted one

small error in the annual pay for one officer on the letter from the Council, although I confirmed that the rate of pay on payroll is correct by reference to NALC pay scales.

I am therefore satisfied that staff are being paid at rates of pay approved by the Council.

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 (FINAL AUDIT)

Final Audit

Fixed assets per box 9 to the accounts are £618,537 (2017-18 £632,575). I have been able to confirm the balance in the accounts to the Council's asset register. Additions and disposals have been agreed to a schedule prepared by the Clerk and have been correctly added at cost, or written off the asset register as obsolete.

I am satisfied that this control objective has been met

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 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 2018. 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

Borrowings – box 10 nil

Cash and bank – box 8 to the accounts £175,651 (£207,238 2017-18) I have re-performed the year end bank reconciliation and I was able to agree the bank reconciliation back to bank statements and the Scribe cashbook . I have agreed with the Clerk that the Scribe accounting system bank reconciliation should be used for review by councillors going forward. The Clerk confirmed that the year-end bank reconciliation will be signed at the next available meeting.

I also note that the Co-op bank statement was dated 28 march. The 31 March bank statement should be obtained before the accounts are submitted for audit.

Boxes 10 and 8 to the accounts are fairly stated.

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)

I confirmed that the Council has completed a reconciliation between box 7 and 8 of the accounts and that this is supported by schedules of debtors and creditors. A year-on-year variance report has been completed but the figures had not yet been transferred to the PKF Littlejohn pro-forma, this will be completed after my visit.

The accounts have been correctly compiled on the accruals basis, this is a larger council with income and expenditure in excess of £200K.

I am of the opinion the AGAR will be ready for submission to the external auditor within statutory time scales and that 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. TRUSTESHIP (INTERIM & FINAL AUDIT)

No trusts.

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 below, and follow those recommended by external audit.

Inspection Step	2018-19 Proposed Date
Accounts approved at full council	16 may
Date Inspection Notice Issued and how published	13 June
Inspection period begins	17 June
Inspection period ends	26 July
Correct length	yes
Common period included?	Yes.
Summary of rights document on website?	Yes.

Plans are in place to allow for inspection periods to be published and set correctly for 2018-19 accounts.

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

M. Mulberry

Mark Mulberry

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
As a larger Council, Worplesdon is required to follow the 2015 Transparency Code. I am satisfied that the council is largely compliant with requirements of the Code,	It is recommended that a “transparency” tab is added to the new website, and all necessary information loaded under this tab. I suggest Crowborough Town council as a good model to follow in this area.	This has not yet been finalised but will be completed prior to submission of the accounts to the auditors.
Asset cover should be reviewed in the next few months in the light of recent playground equipment purchases. Fidelity insurance is set at £250K. This is a little low, as Council cash holdings sometimes exceed this level, notably after receipt of the precept – October balance £274K.	I recommend that the insurers are contacted and the fidelity insurance increased. Insurers should also be notified of the office move.	This was confirmed in November 2018. Fidelity insurance has been increased to £300K
The Council backs up IT data to a remote location, with the assistance of an ICT provider.	I recommend that this back up is tested annually to ensure all essential data can be retrieved	ICT back up has been tested from remote location and operates effectively.

Points Forward – Action Plan - Final Audit

Matter Arising	Recommendation	Council Response
General reserves are a little high at present, I recommend that a Council of this size and business profile should hold no more than 50% of precept in the general reserve.	I understand that reserves are due for review at the May 2019 Council meeting	
As a Council with expenditure in excess of £200K, the Council is required to follow the requirements of the 2015 Transparency Code.	At the time of my audit, the Clerk was finalising publication of expenditure /procurement/ asset information. This work should be completed before the accounts are submitted to the external auditors	
I note that the Co-op bank - statement was dated 28 March.	The year-end bank statement should be obtained before the accounts are submitted for audit.	
Bank reconciliation for review by Councillors	I have agreed with the Clerk that the Scribe accounting system bank reconciliation should be used for review by councillors going forward	