



## MULBERRY & CO

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11<sup>th</sup> May 2020

Dear Gaynor

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

Following completion of our interim internal audit on the 12<sup>th</sup> November 2019 and our final audit on the 11<sup>th</sup> May 2020 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. 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.

## **Final Audit – Summary Finding**

At the final visit we reviewed and performed tests on the following areas:

- Review of annual accounts & AGAR
- Review of bank reconciliation
- Review of income
- 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 2020. Accordingly, I have signed off the AGAR.

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

#### **Interim Audit**

The Council continues to use Scribe as a day to day accounting package, this is a tried and tested industry specific package and I make no recommendation to change. The system is used daily to report on and record the financial transactions of that of the Council.

There is one user with their own individual logon & password. The password is noted down securely in the event of clerk incapacity.

Every month, a month end close down is performed by the clerk, various reports are printed and filed in hard copy, these include but are not limited to; income and expenditure against budget, bank reconciliations and other reports as fit.

The cashbooks are routinely printed and are retrospectively accessible. The system requires the population of key data fields to enable the user to record a transaction. This is a clear and easy to follow system and a review of the cashbook shows that all data fields are being entered, the reports are easy to read and logically filed.

My walk through audit testing of receipts and a payments chosen at random from month seven & eight, showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

I tested opening balances as at 1/4/19 and confirmed they could be agreed back to the audited accounts for 2018/19.

I tested that the Council's VAT accounting was up to date, and confirmed that the September VAT return had been prepared. The amount reclaimed could be supported by a schedule of transactions derived from the accounting system. The refund was received in October. This test indicates that the council is up to date with its postings on the financial package and that these can be verified to third party evidence.

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.*

The external auditors report was not qualified in 2018/19 and this was reported in accordance with regulation, together with the notice of conclusion to full council. Evidence was also noted in the minutes 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.

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

I note that the Council is required by law to follow the 2015 Transparency Code and a review of the web site has shown that the council is routinely following this. **However, a couple of the links need to be updated.**

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

As council is aware of GDPR. It was noted the Council has common email addresses internally which 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.

*Confirm that the Council meets regularly throughout the year*

The council has the following committees:

- Full Council;
- Planning & General Purposes
- Staffing

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

*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 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 and these agree to signed hard 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. These were reviewed and readopted in March 2020

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

Financial regulations are based on the NALC model. These were reviewed and readopted in March 2020. 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 2.3 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts and this is signed & minuted in accordance with regulations.

Financial regulation 4 deals with budgetary control and authority to spend. All committees have the power to spend up to £5,000 within a budget heading and the clerk has emergency powers up to £5,000. The internal

process of the council are sufficiently robust to ensure before an order is placed the budgets are checked. On occasion it is necessary to get retrospective approval from council.

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 and bacs. The system in place is routinely followed and a review of the payments file showed all summaries are signed and invoices verified.

The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is as listed below. These are not incorrect but maybe restrictive for a council of this size.

- £25,000 + Tender Process
- £3,000 - £25,000 3 quotations are required.
- £500 - £3,000 – strive to get 3 estimates
- 0 - £500 – power to spend

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

The council has no S.137 expenditure because it has the power of general competence. I have verified this was properly reviewed and the council was still eligible to claim this.

*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 am of the opinion the council is following its own regulations and that any changes to financial regulations are to be considered minor and not 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.

#### **Final Audit**

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items. I have also checked for evidence of netting off of income and expenditure and found no errors or misstatements.

The year on year expenditure increased by £5,330; however, underlying this is the purchase of a Van at £19,608, decreases in grant expenditure of £11,517.

Creditors were £3,756 (2019: £988) – Grass cutting in the main

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 AUDIT)**

### **Interim Audit**

The Council has a well-developed risk management scheme in place. The Council backs up IT data to a remote location, with the assistance of an ICT provider.

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**

The Council is currently in the process of developing budgets for the 2020-21 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 2020, thereby 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.

At month 6 total reportable income was £251,184 against a budget of £251,667. Total expenditure was £126,364 against a budget of £251,667. I am of the opinion that income and expenditure is as expected and properly reported.

The council has £268,000 of reserves by the year end this will be circa £120k – with earmarked reserves this will be not be deemed excessive. It was noted the earmarked reserves were low and need reviewing.

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.

### **Final Audit**

The council has £164,467 of total reserves of which £69,500 are earmarked and £94,967 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 £115k. I was pleased to see the detailed working and council verification of the reserves working.

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)**

The council’s precept has been received in full and agreed to budget and application.

VAT records were sufficient robust to drill down to the individual invoices.

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.

#### **Final Audit**

The precept income was tested to remittance advice notes and third party evidence supplied to the auditor and is correctly shown in box 2 of the AGAR. The local tax support grant has been correctly shown in box 3 of the AGAR.

In total, other income has decreased by £4,983 this is due in the main to a reduction in grant income for the year of £4,705. I have also checked for evidence of netting off of income and expenditure and found no errors or misstatements.

At the year-end date the council had the following debtors:

• Sales Ledger	£2,081	(2019: £nil)	- due from Came & Co
• Prepayments	£7,333	(2019: £485)	- rent & service charge (mainly)
• VAT	£16,859	(2019: £10,050)	

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 2019. I was able to agree payments recorded in the Scribe ledger back to payroll information supplied by the agency. 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

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.

##### **Final Audit**

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

Monthly and year-end 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 March 2020 was paid on the 24<sup>th</sup> March.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken.

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 (INTERIM AUDIT)**

### **Interim Audit**

The fixed asset register is maintained on excel, 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 of the opinion that the control objective of "Asset and investments registers were complete and accurate and properly maintained.", has been met.

### **Final Audit**

The fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR. The asset register was up to date with all relevant assets as at the current financial year end.

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**

At the interim audit date the council had a reconciled bank position which has been signed in accordance with financial regulations and will be reported to council. I have reviewed the reconciliation there were no errors. I also tested the cut off and can confirm the payments and lodgements are shown in the correct month.

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.  
are shown in the correct year.

### **Final Audit**

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation there was one outstanding lodgement of £24.61 this is not significant.

The council has four active 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 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)

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.

	<b>Annual Governance Statement</b>	<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>	<b>YES</b> – Income & expenditure 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>	<b>YES</b> – 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>	<b>YES</b> – 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>	<b>YES</b> – 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>	<b>YES</b> – 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>	<b>YES</b> – 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>	<b>YES</b> – 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>	<b>YES</b> – 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>	<b>N/A</b> – the council has no trusts.

The year-end accounts have been correctly prepared on the income & expenditure basis with the box 7 & 8 reconciliation properly completed.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2018-19 AGAR.

Agar Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	207,613	185,198	Agrees to 2019 Cfwd
2	Precept or Rates and Levies	196,712	226,915	Agrees to remittances and third party evidence provided to auditor
3	Total other receipts	32,881	27,898	Includes £9,424 of LTSG agreed to remittances – agrees to underlying records.
4	Staff costs	89,677	107,883	Agrees to underlying accounting records
5	Loan interest/capital repayments	0	0	Agreed no loans
6	All other Payments	162,331	167,661	Agrees to underlying records
7	Balances carried forward	185,198	164,467	Casting agrees
8	Total value of cash and short term investments	175,651	141,950	Agrees to reconciliation
9	Total fixed assets plus long term investments and assets	618,537	633,639	Agrees to register

10	Total borrowings	0	0	Agreed no loans
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The variance analysis is required because there are variances greater than 15% and £200. This has been prepared on a summary table basis, which in itself is not incorrect; however, **I would recommend a little more explanatory detail is given to pre-empt further questions from the external auditor. Boxes 2, 3 & 4 will need explanation.**

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 AUDIT)**

No trusts.

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

Due to the Covid 19 outbreak, the statutory deadlines have been changed as follows:

The publication date for final, audited, accounts will move 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 has been removed. Instead, local authorities must commence the public inspection period on or before the first working day of September 2020.

This means that draft accounts must be approved by 31 August 2020 at the latest. However, they may be approved earlier, and we would encourage councils to do so wherever possible, to help manage overall pressure on audit firms towards the end of the year.

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 implementing these measures were laid on 7 April and are due to come into force on 30 April 2020.

The relevant dates as set by Worpleston Parish Council are set out in the table below.

<b>Inspection - Key date</b>	<b>2018/19 Actual</b>	<b>2019-20 Proposed</b>
<b>Accounts approved at full council</b>	16 May	25 June
<b>Date Inspection Notice Issued and how published</b>	13 June	26 June
<b>Inspection period begins</b>	17 June	29 June
<b>Inspection period ends</b>	26 July	7 August
<b>Correct length</b>	Yes	yes
<b>Common period included?</b>	Yes	yes
<b>Summary of rights document on website?</b>	<b>Attached to inspection announcement</b>	<b>Attached to inspection announcement</b>

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, attention.

Kind regards  
Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Mulberry', with a stylized flourish at the end.

**Mark Mulberry**