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Our Ref: MARK/WOR001

Mrs G White
Worplesdon Parish Council
Unit 2 Beaufort
Parklands
Railton Road
GUILDFORD
Surrey
GU2 9JX

16th October 2020

Dear Gaynor

Re: Worplesdon Parish Council
Internal Audit Year Ended 31st March 2020

Executive Summary

Following completion of our interim internal audit on the 16th October 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.**

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

- Review of the accounting system & financial reporting package
- Review of the Financial Regulations & Standing Orders
- Review of the Risk Assessments & Insurance
- Review of the Budgeting Process
- Review of Salaries
- Review of fixed asset register
- Review of annual charges

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.

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. The existence of an audit committee with its own detailed scope of works, testing & reporting regimen is very much best practice and is to be applauded. I would recommend the continuance of this into the future.

I would like to thank Gaynor for her assistance and whilst my report contains recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well ordered system.

It is therefore our opinion that the systems and internal procedures at Worplesdon Parish Council are well established, and followed.

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.

A. BOOKS OF ACCOUNT**Internal audit requirement**

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

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.

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 hard 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, cashbooks, bank reconciliations and other reports as fit. This is a clear and easy to follow system and a review of the cashbook shows that all data fields are being entered.

My audit testing in the past has showed that supporting documentation could be easily located from records.

The Council is not VAT registered, the last S.126 reclaim was for the 6-month period to 31/03/20, which showed a refund position of £16,859.10. This was submitted to HMRC in May 2020 and the refund received on the 18/06/20. This also 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**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.

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

The external auditors unqualified report & notice of conclusion have been received and properly posted to the council website.

Evidence was noted in the minutes of the internal auditor's report being reviewed and accepted. Minute number 147-2020(h)

Confirm by sample testing that councillors sign statutory office forms

I confirmed 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, the grants data section may be out of date and in need of updating.**

Confirm that the Council is compliant with the GDPR.

The council is aware of GDPR and has a clearly accessible privacy policy on its website. The Council has common .gov email addresses which is recommended and to be applauded. A common email system such as cllr.name@parishcouncil..... 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.

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 each committee has spending powers.

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

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 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. Minute ref 123-2020.

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. Minute ref 123-2020. 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.

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

I have reviewed the minutes on the website for the period March 2020 to September 2020 and have noted comprehensive reporting of payments, bank reconciliations, budgets, virements and tendering. I am under no doubt the council is following proper practices in this regard and that all payments are properly authorised and reported to council.

Date	Description	Supplier	Total		
01/05/20	Stationery	Caboodle	£108.34	Agreed to invoice, invoice authorised	Agreed to payment, payment authorised
12/05/20	Desktop screen protector	Coveya	£139.20	Agreed to invoice, invoice authorised	Agreed to payment, payment authorised
04/06/20	3,600 newsletters	Knaphill	£690.00	Agreed to invoice, invoice authorised	Agreed to payment, payment authorised
15/06/20	Edna Survey	Surrey Wildlife Trust	£1,800	Agreed to invoice, invoice authorised	Agreed to payment, payment authorised Order authorised 65-2020 Full Council 20 February 2020
30/07/20	Phone calls	BT	£995.31	Agreed to invoice, invoice authorised	Agreed to payment, payment authorised
13/07	Grass cutting	Holly Landscapes	£3,049.51	Agreed to invoice, invoice authorised	Agreed to payment, payment authorised Order authorised 17 March 2020 minute number 122-2020

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.

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 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.

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.

The Council has a risk strategy in place and monitors and reviews risk on an ongoing basis in accordance with best practice regulations. The council is aware of and has policies in place to mitigate financial risk. The last risk review was carried out in March 2020.

In addition to this the website shows the preparation and of a covid 19 risk assessment [dated 27/03/20 & updated 17/06]. There are some medium risks and high risks.

The Council is insured with Zurich on a standard local authority deal. I confirmed the policy was in date at the time of my audit. Money and asset cover appear adequate, with a fidelity guarantee set at £500,000

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.

The Council is currently in the process of developing budgets for the 2021-22 financial year.

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 April to September meeting of Full Council, and confirmed the budget report was taken to the meeting and properly noted in minutes.

At month 5 total reportable income was £128,218 against a budget of £260,288. Total expenditure was £88,692 against a budget of £298,288. I am of the opinion that income and expenditure is properly reported.

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.

The precept was received in April 2020 together with grant. The grant has been separately categorised.

The council last reviewed its annual charges in March 2020. Minute ref 123-2020. The only receipts have been precepts, grants & interest.

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

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.

No Petty cash – confirmed with the clerk.

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.

The council uses an external firm who use an industry approved package. On a monthly basis, the council provides overtime details to the external firm, and then upon receipt of the external company’s report, confirms its accuracy.

The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS.

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 are paid on time.

I tested the tax deduction for an employee – 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.

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.

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.

I. BANK & CASH (INTERIM & FINAL AUDIT)

Internal audit requirement

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

The minutes show that regular bank reconciliations are reported to council and signed in accordance with regulations.

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)**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.

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 – 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>	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	<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.

	external insurance cover where required.		
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>	N/A – the council has no trusts.

Section 2 – Accounting Statements

Agar Box Number		2018/19	2019/20	
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
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 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.

The variance analysis was required because there were variances greater than 15% and £200. This was properly prepared on a summary table basis showing the financial elements and explanatory narrative.

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

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 (FINAL AUDIT)**Internal audit requirement**

IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick “not covered”)

Not applicable

L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS (FINAL AUDIT)**Internal audit requirement**

The authority has demonstrated that during summer 2020 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Due to the Covid 19 outbreak, the statutory deadlines have been changed 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 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.

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.

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

SI 2020/404 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. This SI amends the deadline by which the Annual Governance Statement and Statement of Accounts of the Annual Governance and Accountability Return (AGAR) together with any certificate or opinion issued by the local auditor must be

published from 30 September 2020 to 30 November 2020. Previously there was a requirement for all smaller authorities to have a common period for the exercise of public rights, being the first 10 working days of July.

Under the new regulations there is no requirement for a common period for the exercise of public rights. Smaller authorities are still required to set a period for this purpose, but the only requirement is that the 30 working day period for the exercise of public rights should start on or before the first working day of September, i.e. on or before 1 September 2020. This SI was issued on 7 April and is effective from 30 April 2020.

M. TRUSTEESHIP (INTERIM AUDIT)

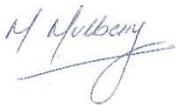
Internal audit requirement

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

No trusts.

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

Kind regards
Yours sincerely

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

Mark Mulberry