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Our Ref: MARK/GOD002

Mrs S Endersby
Godstone Parish Council
The Bounty
Godstone Green,
Godstone
Surrey
RH9 8DY

Date 5 May 2020

Dear Sarah

Re: Godstone Council
Internal Audit Year Ended 31st March 2020

Following completion of our interim internal audit on the 22nd November 2019 and final audit on 5th 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 table at the end of the report.**

Due to the COVID-19 restrictions in place at the time of the final audit, this was carried out remotely, and I would like to thank Sarah for ensuring all of the requested information was sent through in a timely fashion to allow this process to be completed.

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 and Standing Orders
- Review of the risk assessments
- Review of the budgeting process
- Proper bookkeeping – review of the use of the accounts package
- Review of salaries
- Review of fixed asset register

It is our opinion that the systems and internal procedures at Godstone Parish Council are well established and followed. The Clerk is experienced and ensures the council follows best practice regulations and has overseen changes to 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 fit for purpose. I would like to thank Sarah for her assistance and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

Final Audit – Summary Finding

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

- Review of annual accounts and AGAR
- Review of bank reconciliation
- Review of income
- Review of salaries
- 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 transactions of the council for the year ended 31st March 2020. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The council continues to use Excel for day to day accounting. The system is used to report on and record the financial transactions of the council. The council is aware there are bespoke accounting packages available and will consider these. There is a single user who is the Clerk and RFO.

For each council meeting, on a quarterly basis, various reports are produced including, but not limited to bank reconciliations, budget sheet and reserves. My audit testing showed that supporting documentation could be easily located from records and I therefore make no recommendation to change in this system.

I tested opening balances as at 01/04/19 and confirmed they could be agreed back to the audited accounts for 2018/19.

The council is not VAT registered. VAT reclaims are completed on a quarterly basis, with the last reclaim being completed for the period ending 30 September 2019. The reclaim had not been received as at the audit date.

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 AND PAYMENTS (INTERIM AND FINAL AUDIT)

Interim Audit

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

The external auditors report was not qualified in 2018/19. The notice of conclusion of audit and audited AGAR have been posted to the council website and is due to be reported to Council at the next meeting.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors have signed "Acceptance of Office" forms and Register of Members' Interests, in line with regulations. The Register of Members' Interest forms are available on the Council website. Councillors have also signed acceptance to receive information by electronic means.

Confirm that the council is compliant with the relevant transparency code

I note that the council is required by law to follow the 2015 Local Government Transparency Code. A review of the web site shows that the code is being followed in part through the publication of all of the required information in a separate transparency tab on the website. Full details of the requirements of the code can be found via this link www.gov.uk/LGTC2015.pdf

Confirm that the council is compliant with the GDPR

The council is aware of GDPR and has undergone training. It was noted the council has introduced common email addresses internally and for councillors, although one councillor is not yet using theirs. It is recommended because it gives a natural segregation between personal and councillor business, so it is clear beyond doubt in what capacity a councillor is acting, gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers. The council chose not to appoint an external Data Protection Officer (DPO) but does have Data Protection policies and a Privacy Notice on the website.

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Full Council - meets monthly
- Finance - meets twice per year
- Planning – meets monthly
- Green Spaces – meets monthly

The council has a scheme of delegation and terms of reference for each committee.

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

The Clerk was able to demonstrate that at least 3 clear days' notice is given on both web site and hard copy agendas. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting. It is noted that the supporting documentation referred to in the agendas is also normally posted to the website.

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

Draft minutes are uploaded to the council website following a meeting. **Council is reminded that it should be clear which minutes are draft or final versions.**

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months

The Standing Orders are based on the NALC 2018 model and were last reviewed and adopted by Council in April 2019. There have been minimal local amendments made to the model.

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

The Financial Regulations are based on a NALC 2016 model and were last reviewed and adopted by Council in January 2019. The regulations being based on the NALC model contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council. The Clerk is aware of the July 2019 model version and will use these for any future updates.

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

Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts and this is minuted in accordance with regulations. Evidence of this was verified for the October 2019 reconciliation.

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations. Sample checking of invoices and payment lists confirm correct processes are being followed.

Financial regulation 6 deals with making payments. The council makes payments by BACS, with some direct debits and the occasional cheque. There is a clear segregation of duties with regard to BACS payments. Three signatures are required for cheque payments, the Clerk plus two councillors. There are five councillors authorised to sign cheques.

Council is reminded that the approval of direct debits must be renewed by Council at least every two years.

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

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

The council has section 137 expenditure within limits.

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.

Final Audit

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 AND INSURANCE (INTERIM AND FINAL AUDIT)

Interim Audit

The council has a risk assessment which was last reviewed and adopted by council in April 2019. The assessment includes the required information.

The council has a valid insurance policy in place, with Public Liability and Employers Liability cover of £10 million and a Fidelity Guarantee of £250,000.

Final Audit

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 AND RESERVES (INTERIM AND FINAL AUDIT)

Interim Audit

I confirmed that the 2020/21 budget and precept setting process is currently underway, and due for discussion at the Finance committee meeting on Monday. The final budget and precept are due to be agreed by Full Council in December 2019.

The council does not have a business plan or three-year budget plan.

The council holds circa £37,918 in general reserves and a further £114,000 in clearly annotated earmarked reserves. General guidance recommends the council's general reserve should be circa 50% of precept as adjusted for local conditions.

At the interim audit date, the council's year to date position was broadly in line with expectations. This suggests that the budget was accurately set and closely monitored during the year.

Final Audit

At the year end, the council held circa £87,500 in a number of clearly defined earmarked reserves and a further circa £25,500 in the general reserve. General guidance recommends a level of general reserve of 50% of precept, as adjusted for local conditions. The level of general reserve held is therefore appropriate for a council of this size.

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

E. INCOME (INTERIM AND FINAL AUDIT)

Interim Audit

Apart from the precept, the council has various streams of income:

- Cemetery income
- Wayleave payments
- Allotments
- CIL and other grants

The whole precept has been received. There is no Council Tax Support Grant (CTSG).

Final Audit

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

F. PETTY CASH (INTERIM AUDIT)

The council has no petty cash.

G. PAYROLL (INTERIM AND FINAL AUDIT)

Interim Audit

The council processes payroll in house using HMRC online tools. There are no councillor allowances except a Chairman's allowance. All staff members have a signed contract of employment.

Final Audit

A review of the accounting records made available remotely confirms the total salary costs as accurately recorded on the AGAR. Detailed checking of PAYE and NI deductions was not possible, and this will be checked at the next audit.

I am of the opinion that salaries are correctly stated on the AGAR and that the control objective 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 AND FINAL AUDIT)

Interim Audit

The council has a detailed fixed asset register in place. Assets are correctly stated at historic or proxy cost. This will be further reviewed at the year-end.

Final Audit

The asset register was reviewed remotely at the year-end and the total found to match that entered on the AGAR for 2019-20. Further investigation as to the basis of asset value is recommended for the next audit.

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 AND CASH (INTERIM AND FINAL AUDIT)

Interim Audit

At the interim audit date, the council had a reconciled bank position as at the end of October, which has been signed in accordance with Financial Regulations and reported to Council. I have reviewed the reconciliation and there were no errors.

Final Audit

At the year-end audit date, the council had a reconciled bank position. There were no unrepresented items as at 31 March 2020.

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 year-end accounts have been correctly prepared on receipts and payments basis, and the AGAR correctly casts and cross casts.

The explanation of variances has been completed with sufficient detail and explanations provided for variances in excess of 15%. At the time of the year-end audit, the AGAR figures presented for checking were as below:

AGAR Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	152,425	125,830	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	55,683	60,426	Confirmed against precept amount received
3	Total other receipts	37,656	76,741	Confirmed against accounting records
4	Staff costs	19,504	23,072	Confirmed against accounting records
5	Loan interest/capital repayments	0	0	Council has no borrowing
6	All other payments	100,430	126,809	Confirmed against accounting records
7	Balances carried forward	125,830	113,115	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	125,830	113,115	No difference as based on receipts and payments
9	Total fixed assets plus long term investments and assets	199,509	211,418	Total matches asset register

10	Total borrowings	0	0	Council has no borrowing
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I am satisfied that the control objective “Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records” has been met.

K. TRUSTESHIP (INTERIM AUDIT)

The council has 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 came into force on 30 April 2020.

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

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	3 June 2019	1 June 2020
Date Inspection Notice Issued	10 June 2019	31 August 2020
Inspection period begins	17 June 2019	1 September 2020
Inspection period ends	26 July 2019	12 October 2020
Correct length	Yes	Yes
Common period included?	Yes	Yes
Summary of rights document on website?	Yes	Yes

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.

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.

	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 – receipts and payments 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 external insurance cover where required.	<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.
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	<i>responded to matters brought to its attention by internal and external</i>	YES – where matters are raised, action taken by

	and external audit.	<i>audit.</i>	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.

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

Kind regards

Yours sincerely

A Beams

Andy Beams