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Our Ref: MARK/EAS006

Mrs S Tate
East Wittering & Bracklesham Parish Council
Bracklesham Barn
Beech Avenue
Bracklesham Bay
PO20 8HU

Date 14 May 2020

Dear Sam

Re: East Wittering & Bracklesham Parish Council
Internal Audit Year Ended 31st March 2020

Following completion of our interim internal audit on the 28th October 2019 and final audit on 20th 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 at the end of the report, along with updates on progress from the recommendations from the interim visit.**

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 Sam 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 East Wittering & Bracklesham 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 Clare 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 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)

Internal audit requirement

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

The council continues to use RBS for recording the day to day transactions of the council. Day to day accounting entries are processed by the Assistant Clerk. The Clerk produces a hard copy and electronically a bank reconciliation, a payments list and authorisation list together with monthly budget monitoring. My audit testing showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

The council is VAT registered. The last reclaim was for the period ending 30 September and this was received and verified against the bank account on 18 October 2019. The council is up to date with its postings.

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

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)

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.

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 were reported to the council at the meeting of 10 October 2019.

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. Register of Members' Interest forms are loaded on to the council website. The 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 not required by law to follow the 2015 Local Government Transparency Code. All councils are encouraged to follow the code to provide greater transparency for the public and to reduce the potential of Freedom of Information (FOI) requests. A review of the web site shows that the council is following the code and transparency data is easily accessible on the website to comply with the requirements of the code.

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 common email addresses internally and for Councillors, which 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 has appointed an external Data Protection Officer (DPO) and has a Privacy Notice and GDPR policies on the website. These provide detailed information on the council's approach to obtaining, holding and using personal data.

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Full Council – meets monthly (except August and January)
- Planning Committee – meets every three weeks
- Assets and Open Spaces Committee – meets monthly
- Staffing Committee – meets twice per year (with other meetings if required)

The Council also has a Neighbourhood Plan Working Group, Events Working Group and a Vision Working Group. The Assets and Open Spaces Committee has delegated authority to spend up to £5,000. All other spending is authorised by Council.

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 was noted that the supporting documentation referred to in the agendas is also posted to the website.

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

Draft minutes are typically published within a few days of the meeting, with a disclaimer stating they are draft and subject to amendment and adoption at the next meeting.

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

The Standing Orders are based on the NALC model (2018 version) and were last reviewed and adopted by council in May 2019.

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

The Financial Regulations are based on the NALC model (2016 version) and were last reviewed and adopted by council in May 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 later July 2019 model version and will use these for future revisions.

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 at council meetings in accordance with regulations.

Financial regulation 4 deals with budgetary control and authority to spend. The council has thresholds in place at which authorisations to spend must be obtained.

- £5,000 and over - Full council approval
- £1,000 to £5,000 – Duly delegated committee of the Council
- Up to £1,000 - Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee

Financial Regulation 5 deals with authorisation of payments. From sample checking, minutes show authorisation of payments lists in accordance with regulations and invoices are signed by a councillor.

Financial regulation 6 deals with making payments. The council makes payments predominately online with occasional cheque payments and some direct debit payments. The on-line banking system has a natural segregation of duties between the originator and authoriser of transactions. Cheques must be signed by two individuals.

The council holds a debit card which is for the sole use of the Clerk and limited to £500 per transaction as per Financial Regulations. The council also has a number of direct debit payments and **Council is reminded that these have to 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 a section 137 budget of £5,000, which is within limits.

Confirm that checks of the accounts are made by a councillor.

The system noted above details internal review takes place. I am under no doubt that council properly approves expenditure.

Final Audit

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 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)

Internal audit requirement

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Interim Audit

The Clerk has implemented a full risk assessment that covers operational and financial risks. This reviewed and adopted by council in June 2019.

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, with Public Liability cover of £15million, Employers' Liability cover of £10million and an increased Fidelity Guarantee cover of £500,000 following the recommendation at the previous audit.

Final Audit

We discussed assertion 8 on 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."

The Clerk was not aware of any events which would have a financial impact.

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)

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.

Interim Audit

I confirmed that the 2020-21 budget and precept setting process has started, with the intention to agree the final budget and precept at the December council meeting.

The council is developing a Vision, aligned with the District and County Councils, which will inform future spending requirements. There is a three-year budget plan on the accounting system, based on an incremental percentage increase, and this will be updated pending the Vision document.

As at the interim audit date, the council had spent £128,351 against an expenditure budget of £214,590. This represents a 59.8% spend year to date and indicates that the budget was appropriately set and has been adhered to during the year.

The council holds circa £280,000 in a number of clearly defined earmarked reserves, including for CIL and New Homes Bonus. These particular EMR's have been allocated a year of receipt of the funds, which represents good practice to determine the date by which the money must be spent.

Through planned use of its general reserve during the budget setting process, the council anticipates its general reserve being circa £85,000 by the year end. General guidance recommends a general reserve of circa 50% of precept, adjusted for local conditions, and this would represent an appropriate level by the year end for the council.

Final Audit

At year-end, the council held £296,605 in a number of clearly defined earmarked reserves. The majority of the money had been received as a result of either CIL or New Homes Bonus, and separate EMR's have been created for each year of receipt. The council held a further £121,626 in the general reserve. General guidance recommends an appropriate level of general reserve as 50% of precept, adjusted for local conditions. The level of general reserve held is higher than recommended, although not unreasonably so.

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)

Internal audit requirement

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Interim Audit

Other than the precept, the council has the following streams of income:

- Bracklesham Barn income
- Lease income from land
- Event hire

Both parts of the precept have been received and verified to the bank statement. There is also a Council Tax Support Grant (CTSG), which has been allocated correctly on the accounting system.

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)

Internal audit requirement

Petty cash payments were properly supported by receipts; all petty cash expenditure was approved, and VAT appropriately accounted for.

The council a petty cash float of £200 which is used for window cleaning, odd job man and other incidental expenses. The petty cash is balanced every quarter.

I am of the opinion that the control objective “Petty cash payments were properly supported by receipts; all petty cash expenditure was approved, and VAT appropriately accounted for” has been met.

G. PAYROLL (INTERIM AND FINAL AUDIT)

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.

Interim Audit

Payroll is processed by an external third party, with payments being made by the council and authorised in the same way as other payments. Both staff members are paid through the payroll on an NJC scale. Checks of the PAYE and NI deductions will be completed at year-end. There are no councillor allowances except the Chairman’s allowance.

Final Audit

The amounts on the AGAR were reconcilable to the payroll records.

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)

Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

Interim Audit

The fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR at the financial year end. The asset register is very comprehensive and includes all the required information.

Final Audit

The asset register has been updated with new acquisitions (£12,285) and disposals (£3,874) during the year. The total was checked and found to match that entered on the AGAR for 2019-20.

Loan interest and capital repayments were agreed to PWLB debt management letters and the outstanding balance was verified to the PWLB year-end balance.

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)

Internal audit requirement

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

Interim Audit

At the interim audit date, the council had a reconciled bank position as at the end of September 2019 which has been signed in accordance with Financial Regulations and was 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 five outstanding payments as at 31 March 2020 totalling £1,775.03 and were all recent entries.

It was noted that all funds are held with the same financial institution and **I would recommend that the council considers the protection offered by the Financial Services Compensation Scheme (FSCS)**. A link to full details of the protection offered by the FSCS is attached www.fscs.org.uk/

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.

Section 1 – Annual Governance Statement

	Annual Governance Statement	<i>'Yes' means that this authority</i>	Suggested response
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 –accounts 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 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.
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 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

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	220,422	410,980	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	137,800	143,069	Confirmed against precept amount received
3	Total other receipts	420,159	98,965	Confirmed against accounting records
4	Staff costs	47,332	56,042	Confirmed against accounting records
5	Loan interest/capital repayments	1,834	1,834	Confirmed against PWLB statement
6	All other payments	318,235	177,807	Confirmed against accounting records
7	Balances carried forward	410,980	418,231	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	414,091	413,920	Confirmed against accounting records
9	Total fixed assets plus long term investments and assets	1,714,882	1,723,293	Confirmed against asset register
10	Total borrowings	24,729	24,002	Confirmed against PWLB statement
11	Disclosure note re Trust Funds (including charitable)	YES	NO √	Council has no trusts

The year-end accounts have been correctly prepared on the income and expenditure basis, with the difference between boxes 7 & 8 explained through outstanding debtors, VAT control, creditors, accruals, receipts in advance and refundable damage deposit.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the previous year's AGAR.

The explanation of variances has been completed with sufficient detail and explanations provided for variances in excess of 15% for boxes 3, 4 and 6.

K. LIMITED ASSURANCE REVIEW (FINAL AUDIT)

Internal audit requirement

If the authority certified itself as exempt from a limited assurance review in the previous year, it met the exemption criteria and correctly declared itself exempt.

Not applicable as the council did not certify itself as exempt in 2018/19.

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

Internal audit requirement

The authority has demonstrated that during the previous year 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 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 East Wittering & Bracklesham Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	13 June 2019	To be confirmed
Date Inspection Notice Issued	14 June 2019	28 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	N/A
Summary of rights document on website?	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 Clerk is aware of the amended dates for 2019/20 due to the Covid-19 outbreak and has plans in place to meet the deadlines.

M. TRUSTEESHIP (INTERIM AUDIT)

Internal audit requirement

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

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

Interim Audit – Recommendations

<u>Audit point</u>	<u>Recommendation</u>	<u>Council comments</u>
None		

Final Audit – Recommendations

<u>Audit point</u>	<u>Recommendation</u>	<u>Council comments</u>
Bank and Cash	I would recommend that the council considers the protection offered by the Financial Services Compensation Scheme (FSCS).	