



## MULBERRY & CO

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Our Ref: MARK/CRO013

Mrs E Fulham  
Crowhurst Parish Council  
Ten Acre Court  
Cat Street  
Upper Hartfield  
Hartfield  
TN7 4DT

26<sup>th</sup> April 2018

Dear Emma

**Re: Crowhurst Parish Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2018**

Following completion of our internal audit on the 26<sup>th</sup> April 2018, 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 underlined text.

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 are considering the authority's approval of the annual governance statement.

**Audit – Summary Findings**

At the 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 annual accounts & annual return
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

It is our opinion that the systems and internal procedures at Crowhurst Parish Council are very well established, regulated and followed. The clerk is very experienced and ensures the council follows regulations to maintain compliance.

It is clear the council takes 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. I would like to thank the clerk for her hard work during the year.

The annual return (AGAR) is a true and fair reflection of the financial transactions of that of the council for the year ended 31<sup>st</sup> March 2018 and accordingly, I have signed this off.

I am of the opinion that the annual accounts and annual return are ready to be signed off by council and the exemption certificate sent to external auditor.

#### **A. Books of account**

The council continues to use excel for recording the day to day transactions of that of the council. On average there are approximately half a dozen transactions per month and the spreadsheets are populated on a monthly basis. The clerk produces a hard copy and electronically a bank reconciliation, a payments list and authorisation list together with accounts summary.

The clerk/RFO regularly produces financial information for the council that includes but is not always limited to, bank reconciliation, cashbook, income and expenditure against budget and other reports as fit. This is a clear and easy to follow system and I make no recommendation to change in this process.

My audit testing showed that supporting documentation could be readily located from records recorded on RBS. I make no recommendation to change in this system.

I tested opening balances as at 1.4.17 and confirmed they could be agreed back to the audited accounts for 2016/17.

I confirmed that the Council's is up to date with its VAT reclaims.

I am of the opinion that the council is keeping appropriate books of account.

#### **B. Financial regulations & payments**

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

The council, in its July 2017 adopted Financial regulations. This is in accordance with regulations. Regulations will be reviewed again in May 2018. The Financial regulations are based on the 2014 NALC model and are dated May 2015. 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*

I have selected expenses from the minutes and traced the authorised payments to the invoices and bank statements, noting council authorisation at each stage. The invoices were annotated with cheque number, and two signatories.

The council does not use internet banking. The council has issued cheques in the year. The stubs have been initialled twice in accordance with regulations.

The payment schedule as reported in the minutes is posted to the council website within the supporting papers and minutes to the meeting, this is in accordance with the transparency Act requirements and ensures all payments are made available to the wider public. Where applicable personal information would be redacted.

In respect of invoice and payment authorisation invoices are signed by two councillors and payments have to be authorised by two councillors – this is in accordance with councils own financial regulations.

*Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.57 per elector.* The council has no S.137 expenditure.

*Confirm that checks of the accounts are made by a councillor.* The chairman performs a detailed review in readiness for each meeting and this is minuted in accordance with regulations.

*Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months*  
The council, reviewed and adopted Standing orders in July 2017. The standing orders are based on the NALC model.

*Check the draft minutes of the last meeting(s) are on the council's website*  
The council routinely posts up its minutes to its web site within 30 days of the meeting, should changes be required as notified at later meetings the minutes are updated. **However; I would remind council to indicate which minutes are in draft and which are finalised.**

*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. This is in accordance with regulations.

*Confirm that the Parish Council is compliant with the Data Protection Act 1998 and that plans are being put in place to comply with GDPR 2018.* The council is aware of the change in regulations and has undergone training. The minutes disclose council discussion of the same. A GDPR policy is in the process of being written. I am of the opinion that the council is taking seriously its obligation to fulfil the requirements of the GDPR.

*Check the publication of councillor's contact details etc*  
The website has a contact details for all councillors. The register of interests is published on the district web site., with links from the parish council web site. Councillor representation to external bodies is detailed by councillor on the website and has been minuted.

I am of the opinion that the council has robust policies and procedures in place and follows these. I make no recommendation to change.

£5,096 (2017: £8,370.) In reviewing the cost headings, the nature, type and scope of the expenditure is broadly similar to that of the prior year.

I am of the opinion that other payments are correctly shown on the annual return.

### **C. Risk management & insurance**

The council has a detailed risk assessment document which was reviewed at every finance meeting. The document is very comprehensive a covers not only trips and hazards, but also financial and management risks. This document is entirely fit for purpose and I make no recommendation to change.

All council data is now stored on the cloud and regular backs ups are taken to an external drive stored in the clerk's office.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Asset & money cover appears adequate.

### **D. Budget, precept & reserves**

Reserves £14,596 (2017: £10,907)

The council has both general and earmarked reserves, a rule of thumb calculation indicates that general reserves of 50% of precept being circa £7.5k as adjusted for local conditions would be reasonable for a council of this size. The

council has circa £7k in earmarked reserves and £7k in general reserves. This is appropriate for a council of this size.

The Council was able to demonstrate that budget monitoring reporting to members is comprehensive, and is appropriately minuted.

#### **E. Income**

Precept: - £13,500 (2017: £12,000)

Other income: - £2,038 (2017: £9,927)

The precept was tested to third party remittance advice note and the bank statement, there were no errors. The balance has not moved by more than 15% year on year. Other income comprises, lease to fishing club at £1,800 and VAT refunds and interest. These were proven to the bank statements.

I am of the opinion that income is properly recorded on the annual return.

#### **F. Petty cash**

No petty cash

#### **G. Payroll**

£6,753 (2017: £6,908)

The council has one employee, payroll is run in house using the HMRC Basic Paye tools the payroll costs are reconcilable to the payroll/P60 and pension schedules. Payments of salaries are authorised by council along with usual payments.

The clerk does have a signed contract of employment and is paid according to national scales. There have been no changes to hours or rates of pay in the last council year other than national increases.

I am of the opinion that payroll costs are correctly shown on the annual return.

#### **H. Assets and investments**

£5,185 (2017: £5,185)

During the council year a shelter and oak post were added to the register. Assets are stated at either historic cost/proxy cost.

I am of the opinion that fixed asset are correctly shown on the annual return.

It was noted though that the fixed asset register needs to be updated to fully comply with the transparency and best practice regulations. The register itself is not just a simple list of assets, it is a tool that enables the council to physically control the assets by way of regular inspection. It enables the council to plan for future replacement, and importantly to ensure assets are not over or under insured.

The key information needed in the asset register is:

1. Date of acquisition, upgrade and disposal
2. Description of asset
3. Cost/Proxy Cost of acquisition
4. Insurance value (if insured)
5. Replacement value

6. Location of asset
7. Condition of asset
8. Useful life estimate
9. Custodian
10. Date Last physically vouched

A columnar approach can be used to record these details, with the total of the cost/proxy cost column agreeing back to the annual return.

Date of acquisition, upgrade and disposal	Description of asset	Cost/Proxy Cost of acquisition	Insurance value (if insured)	Replacement value	Location of asset	Condition of asset	Useful life estimate	Custodian	Date Last physically vouched

By showing the insurance value next to the original cost – it is easy for a council to ascertain at a glance if an asset is insured or not or to show under or over insured assets.

The use of the replacement value column allows the council to plan for replacement either by way of insurance claim or via designated funds. Remember insurance value is not always the same as replacement value.

The location must be detailed enough to allow the reader to physically find the asset.

The condition of the asset will tie in with useful life and will allow the council to plan for replacement.

#### **I. Bank reconciliations**

£14,596 (2017: £10,907)

The council has a reconciled bank position as at the 31<sup>st</sup> March. I have checked the reconciliation to the bank statements and annual return, there were no errors.

According to the Barclays statements – there is a third account; however, this is not a council account and the council does not have any signatories to this account – this is a Barclays error. The owner of this account is aware. The account is in the process of being closed so the situation will be resolved.

I am of the opinion that the bank and cash balances are correctly shown in the annual return.

#### **J. Year end accounts**

The year-end accounts have been correctly prepared on the receipts and payments basis, with no requirement of a box 7 & 8 reconciliation.

The annual return correctly casts and cross casts and the comparatives have been correctly copied over from the 2016/17 annual return. The variance analysis is required for box 2 & 6 only.

The council has made provision within its schedule of meetings to sign off the annual governance statement and accounts in time to display the notice of electors rights.

The council having income and expenditure less than £25k is entitled to submit an exemption certificate to the external auditor, exempting the smaller authority from the requirement of an external assurance review.

Please note all other aspects, internal audit, publication of accounts, notice of electors rights and sign off by council are still required and the council must follow the requirements of the smaller authority transparency code in respect of publishing to its website certain financial information

<https://www.gov.uk/government/publications/transparency-code-for-smaller-authorities>

**K. Trusteeship**

No trusts.

Should you have any queries please do not hesitate to contact me, finally I enclose a fee note for your kind 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**