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Our Ref: MARK/NOR001

Mrs L Chater
North Mundham Parish Council
1 Charlmead
East Wittering
Chichester
West Sussex
PO20 8DN

24th April 2019

Dear Louise

Re: North Mundham Parish Council
Internal Audit Year Ended 31st March 2019

Following completion of our internal audit on the 24th April 2019 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.

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 Fixed Assets and Investments register

It is our opinion that the systems and internal procedures at North Mundham Parish Council are very well established, regulated and followed. The Clerk is very experienced and ensures the council follows best practice regulations and has over time adapted and changed the internal procedures as regulations and technologies have changed 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 and am pleased to say her high standard of work continues. I therefore make no recommendation for change at this stage.

I am of the opinion that the annual accounts and annual return are ready to be signed off by council and the external auditor and that the annual return is a true and fair reflection of the financial transaction of that of the council for the year ended 31st March 2019. Accordingly, I have signed off the annual return.

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 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 bi-monthly budget monitoring.

There have been no reported issues in the past and for recording receipts and payments this is entirely fit for purpose and I see no reason to make any recommendation to change. The Clerk is aware of the impending Making Tax Digital (MTD) requirements and this may necessitate a change in accounting system in the future.

B. Financial regulations & payments

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

The council amended the Financial Regulations at the April 2016 meeting and these were reviewed and re-adopted at the May 2018 meeting, in accordance with regulations. The Clerk is aware of a new set of model Financial Regulations currently being prepared by NALC and will use these as a basis for any future updates.

Check that the council's Financial Regulations are being routinely followed by tracking some sample payments

Invoices are annotated with BACS or cheque, amount, date of payment and two signatories. 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.

BACS payments are set up by the Clerk on the on-line system and the councillors then authorise the payment on line. The bank system is such that the originator of the transaction cannot authorise the same transaction – there is segregation of duties.

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 Local Government Transparency Code requirements and ensures all payments are made available to the wider public. Where applicable personal information is redacted.

The council has issued cheques in the year. Cheque number 300310 was reviewed, noting the cheque stubs have been initialled twice. The invoice for this transaction was appropriately authorised, and the payment was included on the schedule for the March meeting. These processes are all in accordance with regulations.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.86 per elector.

The council has no S.137 expenditure.

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

Quarterly reviews are completed by a councillor in accordance with Financial Regulation 2.2. The outcome of the reviews are reported to the next council meeting.

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

The council adopted revised Standing Orders in May 2018, based on the NALC model version.

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.

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

The council is aware of the change in regulations and has undergone training. The minutes disclose council discussion of the same. A suite of policies have been adopted and are published on the council's website. The council have appointed an external DPO and have in place generic @northmundham.org email addresses for all councillors.

Check the publication of councillor's contact details etc.

The website has a contact form for all councillors, although councillor email and phones numbers are published on the council notice board. The register of interests is published on the web site. Councillor representation to external bodies is detailed by councillor on the website and is evidenced in the minutes.

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

C. Risk management & insurance

The council has a detailed risk assessment document which is updated annually, the last occasion being in October 2018. The document is very comprehensive and 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.

The Clerk uses Microsoft Office 365 and all council data is automatically backed up to the cloud.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process, including ensuring asset and money cover is adequate. The existing policy is a long term contract which expires in November 2020.

D. Budget, precept & reserves

Reserves Carried Forward £117,428 (2018: £93,212)

General guidance recommends a general reserve of approximately 50% of precept. The council currently holds £38,500 in general reserve (105% of precept) and acknowledges this is higher than would normally be expected. The reasons include holding within general reserve an amount to subsidise any potential future loss of income in relation to the village hall, and this has been annotated in the council's minutes.

The remaining reserves are clearly earmarked for specific purposes and appear reasonable. These are reviewed annually to ensure the purposes remain valid.

The Clerk was able to demonstrate that budget monitoring reporting to members is comprehensive, and is appropriately recorded in the minutes.

I am of the opinion reserves are properly monitored.

E. Income

Precept income £36,550 (2018: £33,881)

Other income £31,543 (2018: £27,485)

The precept income was tested to remittance advice notes and bank statements, these were properly received and banked. There are no errors to report.

Other income comprises grants, interest, village hall income and VAT refunds. I have reviewed the cashbook and was able to agree receipts to remittances and bank statements. There were no errors.

I am of the opinion that income is properly recorded.

F. Petty cash

The council has no petty cash.

G. Payroll

£15,065 (2018: £12,394)

The council has one employee. The payroll is reconcilable to the annual return. The increase is due to a scale point increase and increase in working hours.

The Clerk has a signed contract of employment. Payroll rates and hours were approved at the annual meeting of the council.

H. Assets and investments

Fixed Assets and Investments £35,695 (2018: £34,451)

The fixed asset register agreed to the annual return. The register lists the assets, their cost or proxy cost together with insurance values. Assets are correctly stated at historic cost. The council purchased a silent soldier, a replacement computer and a new computer during the year.

I. Bank reconciliations

Bank & Cash Balances £117,428 (2018: £93,212)

At the year-end date the council had a reconciled bank position which will be approved in the May meeting. I have reviewed the reconciliation there were no outstanding payments.

I am of the opinion that bank and cash balances are properly shown on 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 2017/18 annual return.

The Clerk is aware of the need to complete the variance analysis for any boxes where there is a difference of 15% or more.

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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.

I am of the opinion the accounts and annual return will be ready for submission to the external auditor.

K. Trusteeship

The council has no trusts.

L: Exercise of Public Rights - Inspection of Accounts

This new internal control objective is not active for 2018-19 financial year. However, 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	2017-18 Actual	2018-19 Proposed
Accounts approved at full council	1 May 2018	14 May 2019
Date Inspection Notice Issued and how published	15 May 2018 on website and noticeboards	20 May 2019 on website and noticeboards
Inspection period begins	4 June 2018	3 June 2019
Inspection period ends	13 July 2018	12 July 2019
Correct length	Yes	Yes
Common period included?	Yes	Yes
Summary of rights document on website?	Yes - Attached to inspection announcement	Yes - Attached to inspection announcement

I am satisfied the requirements of this control objective were met for 2017-18, and assertion 4 on the annual governance statement can therefore be signed off by the council. Plans are also in place to allow for inspection periods to be published and set correctly for 2018-19 accounts – the council is planning to follow dates suggested by external audit.

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



Andy Beams

