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Our Ref: MARK/NOR001

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

Date 22nd April 2020

Dear Louise

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

Following completion of our interim internal audit on the 15th October 2019 and final audit on 22nd April 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 Louise 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 North Mundham Parish Council are well established and followed. The Clerk is very 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 Louise 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 recording the day to day transactions 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 electronic and hard copies of key documents. 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 not VAT registered. VAT refunds are normally completed half-yearly, with the last reclaim completed for the period up to September 2019. The council is up to date with its postings.

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. This will be reported to council at the November 2019 meeting, having been received too late for the September meeting. The notice of conclusion of audit and audited AGAR have been posted to the council website.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors sign “Acceptance of Office” forms and Register of Members Interests, in line with regulations. 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 Data Subject Access Request, Privacy Notice and IT Security policies on a GDPR tab within 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 every other monthly
- Planning Committee – meets monthly (except August)
- Employment Committee – meets twice per year
- Village Hall Management Committee – meets twice per year
- Code of Conduct Committee – meets as required
- Complaints Committee – meets as required

Spending powers are with full 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 week of the meeting and final minutes are uploaded to the council website once approved. Draft minutes are clearly labelled as such.

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 (2018 version) and were last reviewed and adopted by council in September 2018.

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

The Financial Regulations are based on the NALC model (2014 version) and were last reviewed and adopted by council in April 2016. 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 2019 model version and plans are in place to adopt these at the November council meeting.

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.

- £1,000 and over - Full council approval
- Up to £1,000 - Clerk, in conjunction with Chairman of Council

Financial Regulation 5 deals with authorisation of payments. From sample checking of invoices from August 2019, 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. Renewal of direct debit payments was confirmed by council at the May 2019 meeting.

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 the General Power of Competence (GPC) and does not use section 137 powers.

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.

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.

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 undertakes a full risk assessment that covers operational and financial risks. This was last reviewed and adopted by council in November 2017, with a review due to take place in November 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 and Employers' Liability cover of £10million and a Fidelity Guarantee cover of £150,000.

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 has started, with the intention to agree the final budget and precept at the January council meeting.

The council has a business plan, but no current no three-year forecast is shown. **I would recommend that the council adds its 3-year forecast in accordance with Financial Regulation 3.1 and this is aligned to the council's business plan.**

As at the interim audit date, the council had spent £14,075 against an expenditure budget of £32,273. This represents a 44% spend year to date and indicates that the budget was appropriately set and has been adhered to during the year.

Final Audit

At year-end, the council had £76,885 in earmarked reserves, spread across a number of clearly defined projects, and a further £45,247 in 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 in excess of the precept and therefore higher than normally expected.

However, it has been noted in previous audits that the reasons for this high general reserve include holding an amount to subsidise any potential future loss of income in relation to the village hall. The council keeps the level of general reserve under review and I therefore have no particular concerns with the level currently held.

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

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

- New Homes Bonus
- Village Hall hire income
- Interest

Both parts of the precept have been received and verified to the bank statement. 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

Payroll is processed by an external third party, with payments being made by the council and authorised in the same way as other payments. The Clerk is 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

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 fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR at the financial year end. The asset register is due to be updated and adopted at the next council meeting.

Final Audit

The asset register was checked, and the total found to match that entered on the AGAR for 2019-20.

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 which has been signed in accordance with Financial Regulations and will be reported to council in November 2019. 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 across all of its accounts. There were three unrepresented items, all recent, on the main current account 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)

Final Audit

The year-end accounts have been correctly prepared on the 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	93,212	117,428	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	36,550	37,560	Confirmed against precept amount received
3	Total other receipts	31,543	43,010	Confirmed against accounting records
4	Staff costs	15,065	15,547	Confirmed against accounting records
5	Loan interest/capital repayments	0	0	Council has no borrowing
6	All other payments	28,812	60,319	Confirmed against accounting records
7	Balances carried forward	117,428	122,132	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	117,428	122,132	No difference as accounts prepared on receipts and payments basis
9	Total fixed assets plus long term investments	35,695	36,236	Total matches asset register

	and assets			
10	Total borrowings	0	0	Council has no borrowing

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. TRUSTEESHIP (INTERIM AUDIT)

The council has no trusts.

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

Final Audit

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	14 May 2019	5 May 2020 – subject to confirmation
Date Inspection Notice Issued	20 May 2019	6 May 2020
Inspection period begins	3 June 2019	3 June 2020
Inspection period ends	12 July 2019	14 July 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 Clerk is aware of the changed legislation coming into force on 30th April 2020, as outlined by The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 and has taken this into account in setting this year's proposed dates.

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

Kind regards

Yours sincerely

A Beams

Andy Beams