



## MULBERRY & CO

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Our Ref: MARK/DIT001

Mrs S Mamoany  
Ditchling Parish Council  
Parish Office  
Ditchling Village Hall  
Lewes Road  
Ditchling  
East Sussex  
BN6 8TT

Date 11 May 2020

Dear Sarah

**Re: Ditchling Parish Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2020**

Following completion of our interim internal audit on the 7<sup>th</sup> October 2019 and final audit on 11<sup>th</sup> 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 Ditchling 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 31<sup>st</sup> March 2020. Accordingly, I have signed off the AGAR.

### **A. BOOKS OF ACCOUNT (INTERIM AUDIT)**

The council continues to use the RBS system as a day to day accounting package, this is a tried and tested industry specific package. The system is used regularly to report on and record the financial transactions of the council. There are two users with their own individual logons.

Every month a bank reconciliation is performed and income and expenditure against budget reports are printed and filed in month order. The hard copy reports are easy to read and logically filed. My audit testing showed that supporting documentation could be easily located from records. This is a clear and easy system to follow and I make no recommendation to change.

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

I tested opening balances as at 1/4/19 and confirmed they could be agreed back to the audited accounts for 2018/19.

The council is not VAT registered. The last VAT reclaim was for the period ended 30<sup>th</sup> June 2019 which showed a refund position of £1,708.57. This was received into the Council's bank account on 6 August 2019. This indicates that the council is up to date with its postings on the financial package.

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*

External auditors report was qualified in 2018/19, highlighting an error in the processing of the Council Tax Support Grant, which was incorrectly included in the precept figure. The council also confirmed it had not complied with all of the governance assertions (boxes 5 & 7) but had provided an explanation to the External Auditor and detailed

actions being taken to address. 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, along with acceptance to receive information by electronic means. These are posted on the Council's website.

*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, although it is recommended to follow the process for Council's with expenditure over £200,000. A review of the web site shows payment lists are included with minutes and staff contact details are available. The asset register is not currently on the website and there is no confirmation of the pay multiple. While not mandatory, it is recommended that the Council add these details to meet the recommended requirements.

*Confirm that the council is compliant with the GDPR*

The council is aware of GDPR, has undergone training and is registered with the Information Commissioner's Office (ICO). It was noted the council has common email addresses internally and for councillors. A common email system is recommended because it gives a natural segregation 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.

*Confirm that the council meets regularly throughout the year*

The council has the following committees:

- Full Council – meets monthly
- Finance – meets twice a year
- Burial & Recreation Ground – meets twice a year
- Planning – meets monthly

There is also a Car Park Working Group. This group has no powers and meets as required for a specific purpose.

*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 was not posted to the website. **I remind council it is required to also post the supporting documentation with the agendas.**

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

Final minutes are uploaded to the council website. **It is recommended that draft minutes, clearly marked as such, should be published within a month of the meeting, especially for those committees which meet less regularly.**

*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 adopted by Council on 24 June 2019.

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

The Financial Regulations are based on the NALC 2016 model and were adopted by Council on 25 March 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 update, and will use this to base future versions on.

*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 the main bank account and this is minuted in accordance with regulations. However, it was noted that the other bank accounts are not being reconciled regularly. **I recommend all accounts are reconciled at least quarterly as per Financial 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 as below:

- The Council for all items over £5,000
- A duly delegated committee of the Council for items over £1,000
- The Clerk, in conjunction with the Chairman of Council or Chairman of the appropriate committee, for any items below £1,000

As none of the Council's committees have delegated spending powers, in effect the Council must authorise all payments over £1,000.

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations and sample invoices for July 2019 were checked to confirm compliance with the regulations.

Financial regulation 6 deals with making payments. The council makes payments predominately online or by direct debit. Online payments are made by a single user due to the limitations in the system available with the bank. It is recommended that the summary list from the online entries is signed off to confirm the amounts paid match those authorised.

There is a debit card held and used by the Clerk only. Receipts are kept and initialled by councillors as per other invoices. The Council is reminded that the authorisation of direct debit payments 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. Salary amounts are processed in the office, and **it is recommended that the salary amounts are double checked by the Assistant Clerk to ensure they are correct before being processed.**

*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 no section 137 expenditure as the Clerk has CiLCA and the Council has adopted the General Power of Competence (GPC).

*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.

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 reviewed by Council on 24 June 2019. The list is in tabular form and adequate for a council of this size.

I have confirmed that the council has a valid insurance certificate. The council reviews its insurance requirements as part of the renewal process.

Employers' liability and public liability cover are maintained at £10 million. Employee dishonesty cover is currently set at £185,000. **It is recommended the level of employee dishonesty cover is reviewed by council as it may not be sufficient to cover the amounts held at points during the year (i.e. after receipt of the precept).**

### 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

The Finance committee met in July and addressed the issues with the budget setting process for the current year (completed before the current Clerk was employed), which appears to set a deficit budget amounting to circa £90,000. This is based on the incorrect inclusion of a PWLB loan and associated project spending – none of which will take place this financial year. The Clerk's report to the meeting shows these items being corrected and an actual deficit of £6,521 which will be funded from general reserves.

I confirmed that the 2019-20 budget and precept setting process is about to start, with the Finance committee meeting in October looking at setting the budget for 2019/20. Council is considering a PWLB loan for the car park and the Clerk is aware that the repayments will need to be accounted for in the budget.

There is no three-year budget plan in place, although the Clerk is aware this will be needed to support the proposed PWLB loan application if it progresses.

The council has a general reserve of circa £72,000 and earmarked reserves totalling circa £66,000. The earmarked reserves are clearly defined, and all are for projects likely to go ahead. The normal recommended level of general reserve is 50% of precept, adjusted for local conditions. The amount held is higher than might be expected, but given the uncertainty of this year's budget, is understandable until the year end position is confirmed.

### Final Audit

At year-end, the council held circa £75,000 in a number of clearly defined earmarked reserves and a further circa £75,000 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 higher than the recommended level, but not unreasonably so 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

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

- Pitch rental
- Burials
- Grants
- CIL
- Interest

At the time of the interim audit the precept has been fully received and I was able to agree this to remittance advice notes from the District Council and the bank statement. Following the note from the external auditor, the Clerk is reminded to ensure any Council Tax Support Grant (CTSG) amount is correctly processed and not included with the precept.

There is no cash income and there are no bad or doubtful debts. Burial fees were reviewed at the last committee meeting and are in the process of being updated. Pitch fees are also due to be reviewed.

#### **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 uses Bright Pay software package to calculate the wages for the two employees. The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS. Employees are paid with reference with NJC scales for consistency purposes. I reviewed the 6-month summary and there were no errors.

I am of the opinion salaries are correctly calculated and paid.

##### **Final 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 fixed asset register in place, which is under development. All columns normally expected are included, but further detail is required to make it a useable working document. Entries currently listed with no value should be listed at £1 as a minimum, or at cost if known.

##### **Final Audit**

The asset register has been considerably reworked during the year. This has resulted in significant changes to the asset values, as previously some assets had been listed at insurance values rather than at cost/proxy cost. An explanation of this has been provided on the variance analysis form submitted to the external auditor. The total on the asset register was checked and 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 reported to council. I have reviewed the reconciliation and the outstanding payments were all recent.

**Final Audit**

At the year-end audit date, the council had a reconciled bank position across its accounts. There were seven outstanding payments on the main current account as at 31 March 2020, totalling £2,644.68. These were all recent entries, processed within two days of the year end.

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 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% for boxes 3, 4, 6, and 9. 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	141,734	134,051	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	84,292	85,275	Confirmed against precept amount received
3	Total other receipts	22,307	37,069	Confirmed against accounting records
4	Staff costs	26,566	32,266	Confirmed against accounting records
5	Loan interest/capital repayments	0	0	Council has no borrowing
6	All other payments	87,716	73,757	Confirmed against accounting records
7	Balances carried forward	134,051	150,372	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	134,051	150,372	No difference from box 7 as receipts and payments
9	Total fixed assets plus long term investments and assets	424,604	69,207	Confirmed against asset register
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)**

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 Ditchling Parish Council are set out in the table below.

<b>Inspection - Key date</b>	<b>2018/19 Actual</b>	<b>2019-20 Proposed</b>
<b>Accounts approved at full council</b>	24 June 2019	To be confirmed
<b>Date Inspection Notice Issued</b>	25 June 2019	To be confirmed
<b>Inspection period begins</b>	26 June 2019	6 July 2020
<b>Inspection period ends</b>	6 August 2019	14 August 2020
<b>Correct length</b>	Yes	
<b>Common period included?</b>	Yes	
<b>Summary of rights document on website?</b>	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 submission for 2019/20 and has plans in place to meet the deadlines.

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.

<b>Annual Governance Statement</b>	<i>‘Yes’ means that this authority</i>	<b>Suggested response</b>



			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>	<b>YES</b> – 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>	<b>YES</b> – 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>	<b>YES</b> – 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>	<b>YES</b> – 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>	<b>YES</b> – 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>	<b>YES</b> – 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>	<b>YES</b> – where matters are raised, action taken by council is recorded in the minutes.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or	<i>disclosed everything it should have about its business activity during the year including events taking</i>	<b>YES</b> – no matters were raised during the internal

	after the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements.	<i>place after the year end if relevant.</i>	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>	<b>N/A</b> – the council has no trusts.

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

Kind regards

Yours sincerely

*Andy Beams*

Andy Beams