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Our Ref: MARK/HAS002

 Mr I Cumberworth
 Hassocks Parish Council
 Parish Centre,
 Adastra Park
 Hassocks
 West Sussex
 BN6 8QH

Date 11 May 2020

Dear Ian

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

Following completion of our interim internal audit on the 25th November 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 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 Ian and his team 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 Hassocks 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 Ian and his team for their 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 RBS as a day to day accounting package. This is a tried and tested industry specific package and I make no recommendation to change. The system is used to report on and record the financial transactions of the council. There are two users - the Clerk/RFO and the Deputy Clerk. There are approximately 30 transactions per month.

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

The council is not VAT registered. VAT reclaims are completed on a quarterly basis. The VAT reclaim was completed for the period to the end of September 2019 and the reclaim amount was verified to the bank statement as being received. The council is up to date with its postings.

My audit testing showed that financial documentation could be easily located from records and 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. 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 September 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. The councillors have not signed acceptance to receive information by electronic means and hard copy agendas are still sent to all councillors.

Confirm that the council is compliant with the relevant transparency code

I note that the council is required by law to follow the 2015 Local Government Transparency Code. A review of the web site shows that the code is being followed through the publication of the required information in a separate transparency tab on the website. This methodology is to be commended as it makes accessing the information straightforward. **The only information missing at interim audit date was the pay multiple.**

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 introduced 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 chosen not to appoint an external Data Protection Officer (DPO) but has a Privacy Notice and Data Protection policies on the website.

Confirm that the council meets regularly throughout the year

The council has the following structure:

- Council – meets monthly
- Grounds and Environment – meets monthly
- Policy, Resources and Communications – meets monthly
- Planning – meets every three weeks

Committees have delegated spending authority within budget.

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

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

Draft minutes are uploaded to the council website usually within a maximum of two weeks of the meeting, and subsequently replaced with final versions 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 a NALC model and were rewritten and adopted by Council in September 2017. These have been subsequently re-adopted in November 2018. The Clerk is aware of the newer NALC model versions, and it would be advisable to use these as a basis for future updates.

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

The Financial Regulations are based on a NALC 2019 model and were adopted by Council in September 2017. These have been subsequently re-adopted in November 2018. The Clerk is aware of the newer NALC model versions, and it would be advisable to use these as a basis for future updates. 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

The council is performing a monthly bank reconciliation for the main account and this is minuted in accordance with regulations. Other accounts are reconciled at least quarterly, and there is evidence of council signing off the bank reconciliation.

Authority to spend is determined by agreement of the budget, with the Clerk having additional powers to incur expenditure in the case of emergency of up to £750.00

The minutes show authorisation of payments lists in accordance with regulations. Sample checking of invoices and payment lists confirm correct processes are being followed.

The council makes payments predominately by cheque, with some direct debits and BACS payments. Two cheque signatories are required from four councillors authorised to do so. Council is reminded that it is best practice to renew the approval of the use of direct debits at least every two years.

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 section 137 spending within limits.

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

It was noted that the missing Transparency Code information mentioned at the interim audit has now been completed on the council website.

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 has a comprehensive risk assessment, which was last reviewed and adopted in June 2019 and includes financial and health and safety risks.

The council has a valid insurance policy in place, with Public Liability and Employers Liability cover of £10 million, and a Fidelity Guarantee of £200,000. **Based on the normal level of balances held, I would recommend the Council considers increasing this level.**

Final Audit

At the year end, the council's balances equal approximately double the amount of the Fidelity Guarantee. The council minutes of the Policy, Resources and Communications meeting held in January 2020 state that there were no specific recommendations in the internal auditor's report. **I again recommend the council review the level of Fidelity Guarantee held as this remains insufficient for the balances held by the council.**

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 begun. A comprehensive initial draft document has been completed, which includes current year projections, and the final budget and precept are due to be agreed by council in January 2020.

Current year budget performance is closely monitored through regular information being provided to the council and suggests that the budget was accurately set for the year.

The council has a 5-year business plan which is currently under review.

The council holds circa £112,000 in general reserves and a number of earmarked reserves totalling circa £275,000. A skate park project costing in the region of £150,000 is due to be completed in the next year and will be paid for out of the earmarked reserves.

Final Audit

At year-end, the council held £221,401 in a number of clearly defined earmarked reserves and a further £167,830 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 appropriate for a council of this size.

It was noted that the council holds over £400,000 in accounts with Barclays Bank. **The council is reminded of the protection available to it via the Financial Services Compensation Scheme (FSCS) due to its annual budget being below €500,000 (approximately £430,000).**

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

Apart from the precept, the council's main income sources:

- Burial ground income
- Sports facility hire
- Allotments
- Grants / s.106 / CIL

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 a petty cash float of £100 used for small incidental items. The float is balanced when it needs to be topped-up, which is approximately every two months. This will be checked at the year-end.

Final Audit

Due to the remote nature of the final audit, detailed checking of the petty cash was not possible. However, based on there being no previously identified issues with petty cash management, and the council's approach to other financial management requirement, I am of the opinion the control objective of "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)

Interim Audit

The council uses an external company to process payroll. Payments are made by the council and approved using the information provided by the payroll company. There are no councillor allowances except the chairman's allowance. All staff members have a signed contract of employment and are all on the NJC scale.

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 comprehensive fixed asset register in place detailing the required information. Assets are correctly stated at historic or proxy cost. An assessment of condition of the assets has been completed. The asset register was up to date with all relevant assets as at the current financial year end.

Final Audit

The asset register has been updated during the year. The total 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 as at the end of October, which has been signed in accordance with Financial Regulations and reported to Council at the next meeting.

Final Audit

At the year-end audit date, the council had a reconciled bank position across its accounts. There were ten outstanding payments totalling £2,039.06 as at 31 March 2020, all of them less than two weeks old.

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 income and expenditure 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 and 6. 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	343,830	386,302	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	275,009	280,545	Confirmed against precept amount received
3	Total other receipts	22,817	105,730	Confirmed against accounting records
4	Staff costs	131,138	129,823	Confirmed against accounting records
5	Loan interest/capital repayments	7,207	6,959	Confirmed against PWLB statements
6	All other payments	117,009	246,564	Confirmed against accounting records
7	Balances carried forward	386,302	389,231	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	400,979	411,913	Confirmed against accounting records
9	Total fixed assets plus long term investments and assets	957,255	1,053,596	Confirmed against asset register
10	Total borrowings	38,200	32,900	Confirmed against PWLB statements

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 confirmed that it the sole trustee of the Talbot Field Trust, and the charity commission website has been updated accordingly.

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 Hassocks Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019/20 Proposed
Accounts approved at full council	11 June 2019	To be confirmed
Date Inspection Notice Issued	12 June 2019	12 August 2020
Inspection period begins	17 June 2019	17 August 2020
Inspection period ends	26 July 2019	28 September 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 amended dates for 2019/20 due to the Covid-19 outbreak 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.

	Annual Governance Statement	'Yes' means that this authority	Suggested response 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>	YES – 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>	YES – 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	<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.

	finances.		
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 by council 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>	YES – the council has met its responsibilities in the management of the trust.

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

Kind regards
Yours sincerely

A Beams

Andy

