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Our Ref: MARK/HEA002

Mrs D Francis
Heathfield & Waldron Parish Council
73 High Street
Heathfield
East Sussex
TN21 8HU

13th November 2017

Dear Diana

**Re: Heathfield & Waldron Parish Council
Internal Audit Year Ended 31st March 2018**

Following completion of our interim internal audit 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.

Interim Audit – Summary Findings

At the interim 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 salaries
- Review of fixed asset register

It is our opinion that the systems and internal procedures at Heathfield & Waldron Council are very well established, regulated and followed. The clerk and RFO are very experienced and ensure the council follows best practice regulations and have over time adapted and changed 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 entirely fit for purpose and indeed are a model of good practice. I would like to thank Helen for her assistance and hard work and am pleased to say her high standard of work continues; I therefore make no recommendation for change at this stage.

A. Books of account

The council uses the Sage electronic system to record the day to day financial transactions of the council. This is a well established industry specific package and I make no recommendation to change. In addition to this, the council uses word and excel as appropriate.

The systems are backed up to external drives and memory sticks as appropriate

I tested opening balances as at 1.4.17 and confirmed they could be agreed back to the audited accounts for 2016-17 and there were no back dated transactions. I confirmed that the Council's VAT returns are up to date, with VAT claimed to the end of September 2017.

I note that the Council is compliant with much of the 2015 Transparency Code, **but I have recommended to the RFO that it would be sensible to carry out a brief audit against the requirements of the Code to ensure that the Council is fully compliant.** I have shown the RFO Crowborough Town Councils website in respect of transparency and explained how this is clear and easy to navigate and perhaps this is something council may want to consider.

B. Financial regulations, standing orders, governance & payments

I confirmed by sample testing that Councillors have all signed "Acceptance of Office" forms and register of members interests, in line with regulations.

Standing orders are based on the NALC model and the council has revised and adopted new standing orders in September 2016 and are in the process of being updated. These will be taken to council for review before the year end.

Financial regulations are based on an older NALC model and are dated September 2016, again the council is in the process of reviewing and updating in line with later NALC models. 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.

Each month the RFO prints off and files in hard copy, bank reconciliation, trial balance, aged debtors and creditors. In addition to this, on a regular basis a finance report is produced showing income and expenditure against budget, nominal ledger and other reports as fit. This is a clear and easy to follow system and I make no recommendation to change in this process.

In respect of payment authorisations, the minutes of the full council or finance committee contain a dated payments list and the corresponding minute does describe the attachment so that it can be identified beyond reasonable doubt. In reviewing consecutive payments lists no cut off errors were found.

Financial Regulation 5 deals with authorisation of physical payments. Invoices are authorised and a random sample of payments was selected for June 2017. There were no errors and all agreed to the payments list and the minutes.

Financial regulation 6 deals with making payments. The council uses Direct debit and payflow (bacs) to make payments. Payflow reports were signed in accordance with regulations.

Financial regulation 7 deals with salaries, salaries are authorised by council in the usual manner and reported as a single gross line item each month. This is in accordance with regulations and does not breach data protection act.

Financial regulation 9 deals with income. Annual charges are agreed as appropriate on an annual basis.

C. Risk management & insurance

The council is insured with Zurich on a standard local authority package. Assets are listed; **however, money cover appears low compared to actual bank balances and should be reviewed with the insurance company.**

The council has detailed risk assessments in place dated September 2017 that cover operational and financial risks. The latest risk list will be taken to council in January 2018.

The council also has a number of policies in place covering amongst others use and access to systems and working practices.

D. Budget, precept & reserves

I confirmed that the 2018-19 budget and precept setting process was well underway at the time of our interim audit, with initial budget meetings complete. The 2018-19 budget and precept will be approved by the end of January 2018, so all precepting authority deadlines will be met.

As at 31st October 2017 total reportable income was £406,312 and expenditure £202,844. This is in line with budget. The budgets are calculated and presented on a combined net basis which makes it difficult to split out the income and expenditure components to see exactly where against budget variances could be. **I would recommend for clarity and transparency that the income and expenditure components of the budgets for 2018/19 are shown.**

As at the 31st October the council had circa £626,406 in total bank and cash reserves; which after accounting for debtors and creditors left circa £550,000 as closing reserves; council is aware that it does not have the power to accumulate general or general reserves and is working towards maintaining a general reserve of circa 50% of precept.

E. Income

Both tranches of the precept have been received, income to date is in line with budget.

F. Petty cash

The council has a maximum float of £200 in petty cash at the audit date. There were no errors.

G. Payroll

The council uses an external firm to calculate and process the monthly payroll. The tax deductions for two employees was tested – there were no errors. 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. The signed minutes show that council approves changes to wages.

H. Assets and investments

The council has a detailed fixed asset register in place and there have been no significant changes since the year end. The register contains details of historic cost and is reconcilable to the insurance schedule. Assets are correctly stated at historic or proxy cost.

I. Bank reconciliations

The bank reconciliations at September 2017 were reviewed in full. The Sage system prints are neatly and logically presented there were no errors on any of the reconciliations.

The council has 4 bank accounts and a petty cash account, at the 31st October there was £489,524 held in the main current account and £136,189.91 on the tracker accounts. **Council may want to consider how and where funds are held in line with its investment policy.**

J. Year end accounts

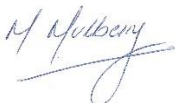
TBC at year end

K. Trusteeship

The council has one charitable trust under 305321 - Waldron Recreation ground – for the provision of sport and recreation. The governing document is a conveyance dated 24 June 1920 as amended by scheme dated 11th October 2002. All filings are up to date.

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

Kind regards
Yours sincerely

A handwritten signature in black ink, appearing to read 'M Mulberry', with a stylized flourish at the end.

Mark Mulberry