



## MULBERRY & CO

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Our Ref: MARK/HEA002

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

20<sup>th</sup> May 2019

Dear Diana

**Re: Heathfield & Waldron Parish Council  
Internal Audit Year Ended 31<sup>st</sup> March 2019**

Following completion of our interim internal audit on the 19th November and our final audit on the 20<sup>th</sup> May 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 tables at the end of the report. The recommendations from the interim visit have been answered in the table at the end of the report.**

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 & 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 Parish Council are well established, and followed. The clerk & RFO are very experienced and ensure the council follows best practice regulations and have 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 Helen & her team for their

assistance and whilst my report contains recommendations to change these are not indicative of any 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 & 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 transaction of that of the council for the year ended 31st March 2019. Accordingly, I have signed off the AGAR.

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

The Council continues to use Sage as a day to day bookkeeping package, although not industry specific this is a well-known and trusted system. The system is used daily to report on and record the financial transactions of that of the Council. The council is augmenting this package with Excel and Word where as in many cases this would not be necessary with a bespoke local authority package. **Council may want to consider a review of other financial reporting packages tailored more towards a local authority.**

There are two users the RFO & Administration Officer, each with their own individual logons.

- The RFO - oversight budgeting, reporting, VAT.
- Administration Officer – sales ledger, purchase ledger, bank

Every month, a month end is performed and various reports are printed and filed in hard copy, these include but are not limited to; income and expenditure against budget, payments listing, aged debtors, cashbooks, bank reconciliations and other reports as fit. The month end reporting is then presented to the various committees. This is a clear and easy to follow system, the hard copy reports are easy to read and logically filed. My audit testing showed that supporting documentation could be easily located from records and I therefore make no recommendation to change in this system.

I tested opening balances as at 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18.

The Council is not VAT registered and the last VAT reclaim was for the quarter ended 30<sup>th</sup> September 2018, which has not been received by the audit date; however, this does indicate that the council is up to date with its postings on the financial package.

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 therefore 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 & PAYMENTS (INTERIM & FINAL AUDIT)**

#### **Interim Audit**

*Check the publication & minuting of the prior year audited AGAR and notice of conclusion of audit.*

External auditors report was not qualified in 2017/18. This was reported to council in November 2018. Evidence was also noted in the minutes of the internal auditor’s report being reviewed and accepted. 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 will need to sign acceptance to receive information by electronic means.** I have provided some sample wording below for council consideration.

*"As per Schedule 12 of the Local Government Act 1972, I consent to the receipt of all council meeting papers by electronic methods. I understand I may withdraw this consent at any time."*

*Confirm that the Council is compliant with the relevant transparency code.*

I note that the Council is required by law to follow the 2015 Transparency Code, a review of the web site has shown that this is being followed, it is also noted a new website is being built.

*Confirm that the Council is compliant with the GDPR.*

The council is aware of the GDPR. It was noted the Council is introducing common email addresses internally 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.

*Confirm that the Council meets regularly throughout the year*

The council has the following committees:

- Full Council; meets circa bi monthly
- Leisure, Amenities and burials; meets bi monthly
- Community & Business Development; meets quarterly
- Planning & Highways; meets 2 weekly
- Finance & General Purposes; meets quarterly

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks each committee has spending powers.

*Check that agendas for meetings are published giving 3 clear days' notice.*

The RFO 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. I 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*

Draft and final minutes are uploaded to the council website.

*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. It was noted the paragraph headings of the contents page have become out of sync with the body of the document. **I recommend these are reviewed before posting to the website.**

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

Financial regulations are based on the NALC model and are dated March 2018. 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.*

Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts and this is minuted in accordance with regulations. However, it was noted that the face of the bank statements is not being signed. **I recommend this regulation is reviewed and in future the minute amended.**

The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is as listed below.

- £25,000 + Tender Process
- £5,000 - £25,000 3 quotations are required.
- £1,000 - £5,000 – strive to get 3 estimates
- 0 - £1,000 – power to spend

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.

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations.

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit, credit card and payflow. Cheques must be signed by two individuals.

I discussed the purchasing system with the RFO vis-à-vis financial regulations 4, 5 & 6 and ascertained that the regulations are being followed at a local level as described below:

1. Regular and recurring expenditure (rent, rates, wages, light & heat, contractual spend etc.) is known and authorised in advance (budget setting or tender process). These are, in the main, paid via direct debit, standing order or on-line banking.
2. An ad hoc expenditure requirement is identified and noted to the clerk/RFO – this can be from a number of sources and depending on the financial amount will be discussed in advance with council, committee or chair. If required, this is approved in advance by council committee before the expenditure incurred. My audit testing showed via the minutes that there is where appropriate discussion of expenditure before the orders are placed.
3. The order is made via the office – councillors are not allowed or permitted to place amend or vary orders.
4. The supplier invoice, when received, is reviewed by the administration officer and sticker applied to the face of it, this is then batched ready for internal review. My audit testing showed that supplier invoices do all have a sticker applied to them.
5. The batch of supplier invoices is given to RFO for review and sign off and passed back to the administration officer. My audit testing showed population of the information requirements of the sticker.
6. Councillors are then invited to attend to the office to sign off the supplier invoices for payment.
7. Approved unpaid supplier invoices are posted to purchase ledger of the sage system.
8. Twice monthly, payments are made by the administration officer by manually completing the Barclays Payflow pro forma payment instruction sheet and faxing this to the bank. I am aware of a council that also uses Sage

and uploads a file direct from the Sage system to the bank, this saves time manually completing a pro forma and also reduces the risk of error or misstatement. **I have therefore suggested the RFO may want to contact Lewes Town Council & Barclays to discuss this.**

9. The payments re then entered onto the Sage system using the Barclays Payflow Payment Sheet as guide. The Payflow report and a Sage payments report are cross checked to verify all authorised payments have been made. At the same time a summary batch header sheet is completed, signed by RFO and Two councillors. The totals on all the reports are cross checked. My audit testing as verified this.
10. At the month end a full payments list is produced by down load into excel for council sign off and entering in the minutes.

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 & 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.*

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.

#### **Final Audit**

All Other Payments £274,834 (2018: £270,241).

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items.

Aged creditors were £57,365 (2018: £45,674)

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 & INSURANCE (INTERIM & FINAL AUDIT)**

#### **Interim Audit**

The council has a detailed risk assessment document. The document is very comprehensive a 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.

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.

#### **Final Audit**

We discussed assertion 8 of the AGAR and whether or not this had any impact on the council.

*"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 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 & RESERVES (INTERIM & FINAL AUDIT)**

##### **Interim Audit**

I confirmed that the 2019/20 budget was underway at the time of the audit.

As at 30<sup>th</sup> September total reportable income was £433,225 (Annual Budget £436,409), and expenditure £179,411 (annual budget £436,409). Income is broadly in line with budget but will exceed budget due to CIL receipts. The expenditure is lower than budget mainly because the CCTV project has been delayed and the Mill Road WC is no longer going to be refurbished, although a review of the budget headings seems to indicate lower than anticipated expenditure across all headings. The RFO has indicated that the surplus funds from these 0 underspent projects will be reallocated to the tree & play area work.

At the end of October, the council had c.£460k in combined bank balances, of which £256k is earmarked leaving £205k as a general reserve, rule of thumb calculations would indicate that a general reserves balance of circa £190k (50% of precept) as adjusted for local conditions would be reasonable. This will be further reviewed at the year end.

The Council was able to demonstrate that budget monitoring reporting to members is comprehensive, and is appropriately minuted.

##### **Final Audit**

Reserves Carried Forward £558,136 (2018: £451,123)

The council has £352,140 of earmarked reserves and £205,995 of general reserves. In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £192k. I was pleased to see the detailed working and council verification of the reserves working. I am of the opinion that general reserves are reasonable and properly reported on.

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 & FINAL AUDIT)**

##### **Interim Audit**

The council has various streams of income:

- Precept (circa 90% of all income)
- Allotments
- Burials
- Rentals – halls etc
- Interest

The full precept has been received in full at the interim date, this was verified to remittance advice note and bank statements and cashbook. Annual charges are reviewed regularly. Cash receipts are banked entire – further testing on cash receipts will be conducted at the year-end visit

##### **Final Audit**

Precept income £384,065 (2018: £369,304)

Other income £133,232 (2018: £92,153)

The precept income was tested to third party precept data. The local tax support grant has been correctly shown in box 3 of the AGAR. There are no errors to report.

In total, other income has increased by £41,079 this is due in the main to additional CIL income. This has been reported on the report of significant variances. I am of the opinion that income is properly recorded.

At the year-end date the council has £2,762 (2018: £3,452) of debtors and £16,046 (2018: £8,225) of VAT outstanding.

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 small float of £200 for office sundries. Audit testing showed this to be being used properly.

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 & FINAL AUDIT)**

##### **Interim Audit**

The payroll is calculated by an external bureau for the 5 employees. 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.

Monthly PAYE and NI deductions and returns have been submitted online and on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review. The PAYE and NI liability for October 2018 was paid on time.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken. Councillors were paid allowances via the payroll.

The payment of salaries is authorised by council along with usual payments as noted above. **I would recommend the payslips are not kept with the paid invoices – this is a potential data protection breach.**

##### **Final Audit**

Salaries £135,450 (2018: £130,076)

I am of the opinion that salaries are correctly stated on the AGAR and that the control object 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 & FINAL AUDIT)**

##### **Interim Audit**

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.

##### **Final Audit**

Fixed Assets and Investments £3,186,152 (2018: £3,184,121)

The Council does not hold any long term investments i.e. over 1 year. Any addition to the asset register is normally with a cost value greater than £1,000.

The fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR. The asset register was up to date with all relevant assets as at the current financial year end.

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 & CASH (INTERIM & FINAL AUDIT)**

### **Interim Audit**

The council has 4 bank accounts and a petty cash account. The bank reconciliations at September 2018 were reviewed in full. The RBS system prints are neatly and logically presented, there were no errors on any of the reconciliations.

### **Final Audit**

Bank & Cash Balances £596,693 (2018: £485,120 was [£599,325])

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation there were no outstanding payments and no outstanding lodgements.

The council has four bank accounts, together with petty cash. None of the accounts are long term non cash investments and as such do not need to be disclosed in box 9 of the AGAR. However, it is noted that some of the bank and cash investments could be invested elsewhere to obtain a greater return.

The movement year on year in bank and cash balances is not greater than 15% and does not require reporting to the external auditor.

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 & expenditure basis with the box 7 & 8 reconciliation properly completed.

The AGAR correctly casts and cross casts and the comparatives except for box 8 have been correctly copied over from the 2017/18 AGAR. **The bank balances box 8 comparative, was not correctly shown this should be £485,120 per the 2017/18 signed AGAR.**

The variance analysis is required because there are variances greater than 15% and £200. This has been prepared on a summary table basis.

I am of the opinion the AGAR will be ready for submission to the external auditor within statutory time scales and that the control objective of "Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.", has been met.



### **K. TRUSTEESHIP (INTERIM AUDIT)**

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.

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

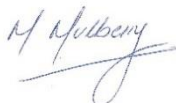
This new internal control objective is not active for 2018-19 financial year. However, I confirmed with the RFO that arrangements are in place at this Council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

<b>Inspection - Key date</b>	<b>2018-19 Proposed</b>
<b>Accounts approved at full council</b>	10 June
<b>Date Inspection Notice Issued and how published</b>	14 June
<b>Inspection period begins</b>	17 June
<b>Inspection period ends</b>	26 July
<b>Correct length</b>	yes
<b>Common period included?</b>	yes
<b>Summary of rights document on website?</b>	<b>Attached to inspection announcement</b>

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, attention.

Kind regards  
Yours sincerely



**Mark Mulberry**

### Interim Audit - Points Forward

<b>Audit Point</b>	<b>Audit Findings</b>	<b>Council comments</b>
Books of account	Council may want to consider a review of other financial reporting packages tailored more towards a local authority.	On-going
Agendas	I remind council it is required to also post the supporting documentation with the agendas.	Completed
Standing Orders	I recommend these are reviewed before posting to the website, because the contract tender value and paragraph numbers have become out of sync	were amended after the interim audit
Financial regulations Bank reconciliation	I recommend regulation 2.2 is reviewed and in future the minute amended.	Minutes - amended
Payments	I have suggested the RFO may want to contact Lewes Town Council & Barclays to discuss payment procedures.	On-going
Salaries	I would recommend the payslips are not kept with the paid invoices – this is a potential data protection breach.	immediately after the interim review the payslips were all removed from the invoice folder and are now locked away.

### Final Audit - Points Forward

<b>Audit Point</b>	<b>Audit Findings</b>	<b>Council comments</b>
Bank balances comparative	The box 8 comparative does not agree to the 2017/18 signed AGAR  This should read £485,120	updated