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Our Ref: MARK/HEA002

Mrs H Johnson
Heathfield & Waldron Parish Council
73 High Street
Heathfield
East Sussex
TN21 8HU

Date 22 May 2020

Dear Helen

Re: Heathfield & Waldron Parish Council
Internal Audit Year Ended 31st March 2020

Following completion of our interim internal audit on the 14th November 2019 and final audit on 22nd 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 at the end of the report, along with updates on progress from the recommendations from the interim visit.**

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 Helen 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 Heathfield & Waldron 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 Helen and her 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 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)

Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

The council continues to use Sage as a day to day accounting package. The system is used daily to report on and record the financial transactions of the council. There are three users – the Clerk, RFO & Administration Officer.

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 reclaim was completed for the period ending 31 October 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)

Internal audit requirement

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

Interim Audit

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

The 2018/19 external auditors was not qualified. This is due reported to council at the December 2019 meeting and has 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, agreement to receive electronic communications and Register of Members Interests, in line with regulations.

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. 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 relevant information is published, up to date and easy to access.

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 all councillors, except one. This 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 and **I would recommend the final councillor's is also set up as soon as possible**. The council has decided not to appoint a Data Protection Officer (DPO), but has a Privacy Notice and Data Protection policies on its website.

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Council – meets every other month
- Leisure, Amenities and Burials – meets every other month
- Community & Business Development – meets quarterly
- Finance & General Purposes – meets quarterly
- Planning & Highways – meets every three weeks

Committees have delegated spending authority within their budget limitations.

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 (unadopted) minutes are published on the council website and clearly marked 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 adopted by council in May 2019. The council has just readopted an amended version, with local additions and these are about to be loaded onto the website.

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

The Financial Regulations are based on the NALC model (2016 version), with local amendments made, and were adopted by council in May 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 RFO is aware of the July 2019 revised model and is currently updating the regulations for adoption.

Check that the council's Financial Regulations are being routinely followed

Financial regulation 2.2 deals with bank reconciliations. The council is performing monthly bank reconciliation, and this is verified by a councillor at every full council meetings and minuted in accordance with regulations.

Financial Regulation 5 deals with authorisation of payments. From sample checking, minutes show authorisation of payments lists in accordance with regulations. Invoices and cheque stubs are signed by councillors.

Financial regulation 6 deals with making payments. The council makes payments by payflow and cheques with some direct debits. Cheques must be signed by two councillors. There are four councillors authorised to sign cheques. Renewal of direct debits was confirmed by Council in July 2019.

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 adopted the General Power of Competence (GPC) and has no section 137 expenditure.

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.

Final Audit

Year-end debtors and creditors were reviewed against the financial reports provided. There appear to be a number of outstanding amounts relating to early in the previous financial year, and while the amounts may not be substantial, I would suggest an effort is made to chase up the longer overdue amounts owed to the council or consider write off if they are unrecoverable.

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)

Internal audit requirement

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Interim Audit

The council has comprehensive risk assessments that covers financial, operational and health and safety risks and these are specific to committees and regularly reviewed and recorded in the minutes.

I have confirmed that the council has a valid insurance certificate. The council reviews its insurance requirements as part of the renewal process. The council has Public Liability cover of £15 million, Employers' Liability cover of £10million and a Fidelity Guarantee cover of £1 million.

Final Audit

We discussed assertion 8 on 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."

The RFO confirmed there were no events having a financial impact which were not included on the financial 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 AND RESERVES (INTERIM AND FINAL AUDIT)

Internal audit requirement

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Interim Audit

I confirmed that the 2020-21 budget and precept setting process has started, with the intention is to agree the final budget and precept at the January 2020 council meeting.

The council has a three-year budget plan and a strategic plan, which is due to be updated.

As at the end of October, the council had spent £238,054 against an expenditure budget of £409,928. This represents 58% of the planned expenditure for the year and suggests that the budget was appropriately set and adhered to during the year.

The council holds £205,994 in general reserves, plus a further £338,466 in a number of annotated earmarked reserves, which are regularly reviewed. General guidance recommends a council holds circa 50% of its precept in general reserves, adjusted for local conditions.

Final Audit

At year-end, the council held circa £375,000 in a number of clearly defined earmarked reserves, which had been updated during the year as money had been moved into and out of the earmarked reserves. The council also holds circa £255,000 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 suitable 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)

Internal audit requirement

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Interim Audit

Other than the precept, the council receives income from:

- Room hire income
- Cemetery income
- Allotments
- CIL/s.106/grants

Both parts of the precept have been received and verified to the bank statement. The Council Tax Support Grant (CTSG) has been recorded correctly.

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 AND FINAL AUDIT)**Internal audit requirement**

Petty cash payments were properly supported by receipts; all petty cash expenditure was approved, and VAT appropriately accounted for.

Interim Audit

The council has a petty cash of £200 used for incidental expenses. The float is balanced at least quarterly. This will be checked at the year-end audit.

Final Audit

Due to the remote nature of the final audit, physical checking of the petty cash was not possible. Previous audit reports have reported no areas of concern relating to petty cash management and therefore I am of the opinion that the control objective “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)**Internal audit requirement**

Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied.

Interim Audit

Payroll is processed externally by a third party, with payments being made by the council based on the calculations by the external company. All staff members have signed contract of employment and are on NJC scale points. There are councillor allowances paid through payroll every six months in arrears. Checks of the PAYE and NI deductions will be completed at year-end.

Final Audit

Due to the remote nature of the final audit, detailed checking of payroll records was not possible. However, there have been no reported errors in the past and the amounts on the AGAR were reconcilable to the accounting records for salaries.

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)**Internal audit requirement**

Asset and investments registers were complete and accurate and properly maintained.

Interim Audit

The council has a detailed asset register in electronic format which includes all required information. A summarised version is published on the council website to adhere to the GDPR requirements. This is due to be reviewed and agreed by council before the financial year end.

Final Audit

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

The council has no PWLB borrowing.

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)

Internal audit requirement

Periodic and year-end bank account reconciliations were properly carried out.

Interim Audit

At the interim audit date, the council had a reconciled bank position as at the end of October 2019 which was reported to council at the November meeting. 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 its accounts and year-end balances were verified to bank statements.

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)

Internal audit requirement

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.

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.

Section 1 – Annual Governance Statement

	Annual Governance Statement	<i>‘Yes’ means that this authority</i>	Suggested response
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 –accounts follow latest Accounts and Audit Regulations and 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 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	<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.

	effect on the ability of this authority to conduct its business or manage its 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 as trustees

Section 2 – Accounting Statements

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	451,123	558,136	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	384,065	395,587	Confirmed against precept amount received
3	Total other receipts	133,232	54,634	Confirmed against accounting records
4	Staff costs	135,450	143,944	Confirmed against accounting records
5	Loan interest/capital repayments	0	0	Council has no borrowing
6	All other payments	274,834	233,976	Confirmed against accounting records
7	Balances carried forward	558,136	630,437	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	596,693	652,637	Confirmed against accounting records
9	Total fixed assets plus long term investments and assets	3,186,152	3,191,144	Confirmed against asset register
10	Total borrowings	0	0	Council has no borrowing
11	Disclosure note re Trust Funds (including charitable)	YES √	NO	Council has met its responsibilities as trustee

The year-end accounts have been correctly prepared on the income and expenditure basis with the box 7 & 8 reconciliation completed.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the previous year's AGAR.

The explanation of variances has been completed with sufficient detail and a separate sheet giving an explanation for the variance in excess of 15% for box 3.

K. LIMITED ASSURANCE REVIEW (FINAL AUDIT)

Internal audit requirement

If the authority certified itself as exempt from a limited assurance review in the previous year, it met the exemption criteria and correctly declared itself exempt.

Not applicable as the council did not declare itself exempt from a limited assurance review in 2018/19.

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

Internal audit requirement

The authority has demonstrated that during the previous year it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

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 Heathfield & Waldron Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Date Inspection Notice Issued	14 June 2019	To be confirmed – must be at least one day prior to start date of inspection period
Inspection period begins	17 June 2019	16 July 2020
Inspection period ends	26 July 2019	26 August 2020
Correct length	Yes	Yes
Common period included?	Yes	N/A
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.

M. TRUSTEESHIP (INTERIM AUDIT)**Internal audit requirement**

Trust funds (including charitable) – the council has met its responsibilities as a trustee.

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 financial information returns are up to date.

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

Kind regards

Yours sincerely

A Beams

Andy Beams