

GODALMING TOWN COUNCIL

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Municipal Buildings
Bridge Street
Godalming
Surrey GU7 1HT

10 March 2017

I HEREBY SUMMON YOU to attend the **AUDIT COMMITTEE** Meeting to be held in the Council Chamber, Municipal Buildings, Godalming on THURSDAY, 16 MARCH 2017 at 7.30 pm, or at the conclusion of the preceding Planning & Environment Committee, whichever is later.

Andy Jeffery
Acting Town Clerk

Committee Members: Councillor Thornton – Chairman
Councillor Pinches – Vice Chairman
Councillor Noyce
Councillor Williams
Councillor Purkiss

AGENDA

1. MINUTES

To approve as a correct record the minutes of the meeting held on the 6 October 2016, a copy of which has been circulated previously.

2. APOLOGIES FOR ABSENCE

3. PETITIONS/STATEMENTS/QUESTIONS FROM MEMBERS OF THE PUBLIC

The Chairman to allow members of the public to ask questions, or make a statement or present a petition. This forum to be conducted in accordance with Standing Order 4.

4. DISCLOSABLE PECUNIARY INTERESTS AND NON-PECUNIARY INTERESTS

To receive from Members any declarations of interests in relation to any items included on the Agenda for this meeting required to be disclosed by the Localism Act 2011 and the Godalming Members' Code of Conduct.

5. WORK PROGRAMME

Members to consider the Committee's Work Programme and to note progress on the items therein.

6. BANK RECONCILIATION

The Acting Responsible Finance Officer to table the current Bank Reconciliation for the information of Members.

Members to agree that the Chairman should sign the bank reconciliation tabled.

Members of the Public have the right to attend all meetings of the Town Council and its Committees and are welcome.

7. EXTERNAL AUDITOR'S REPORT

Members to receive the completed Annual Return for the financial year ending 31 March 2016 and the accompanying report from the External Auditor for Godalming Town Council (copies attached for the information of Members).

The external audit for the year ending 31 March 2016 was completed on 22 August 2016 and received on 30 August 2016; there were no matters which came to the auditor's attention which gave the auditor cause for concern that relevant legislation and regulatory requirements have not been met. The Notice of Conclusion of Audit has been displayed on the Town Council's Notice Board for at least 14 days as required by the Accounts and Audit Regulations 2011.

One issue is drawn to the Council's attention by the auditor – the Council did not complete Box 11 (disclosure note re. trust funds) and its recommendation is that we do complete this box in future.

8. INTERNAL AUDITOR'S REPORTS

Members to consider two reports from the Council's Internal Auditor Mulberry & Co - an internal audit conducted on 18 November 2016 and a Review of Income Controls conducted on 24 February 2017 (reports attached for the information of Members).

9. REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROLS FOR GODALMING TOWN COUNCIL AND GODALMING JOINT BURIAL COMMITTEE

Members to consider a report from the Acting Responsible Finance Officer (report attached for the information of Members) and to consider what recommendations they will make to Full Council and the Godalming Joint Burial Committee.

10. APPOINTMENT OF INTERNAL AUDITOR FOR 2017/18

Members to agree the appointment of Mulberry & Co as Internal Auditors for the financial year 2017/18 (copy of Mulberry & Co's draft engagement letter is attached for the information of Members).

11. CREDIT CONTROL & BAD DEBTS

The Council adopted the Credit Policy at Full Council on 19 November 2015 (Min No. 271-15 refers). This allowed for a staged process to recover overdue invoices.

At the time of implementation, the Council had two doubtful debts (which were provided for by way of a provision for doubtful debts). Officers sought, and were granted, permission to test the policy by taking one of those debtors to the HM Courts & Tribunals Service through an online service called Money Claim Online (Min No. 277-15 refers).

HM Courts & Tribunals Service granted our application and the debtor started making monthly payments against his debt. At the time of writing, the debt has been reduced by 30%.

The second overdue debtor was advised we would be taking them to the HM Courts & Tribunals Service and made full payment of their account.

Financial Regulation 9.6 requires any sums found to be irrecoverable to be reported to the Council so that they can be written off in the current financial year. Officers are pleased to report that with the adherence to our Credit Control policy, there are no amounts deemed

irrecoverable and therefore no write offs are required. Indeed, as at 28 February 2017, the age of debtors was under 90 days bar the one debtor on a payment plan.

12. USE OF PURCHASE ORDERS

Financial Regulation 10.1 requires that an official order (purchase order) be issued for **all** work, goods and services unless a formal contract exists or an official order would be inappropriate.

In a large organisation where one department administers budgets, one buys goods and services and another receives and pays bills, purchase orders let everyone know what's happening. In addition, purchase orders can help an organisation to manage its cash flow by knowing what payments are coming up.

However, Godalming Town Council is not a large organisation and communication between Officers is generally good. In addition, with the Precept being upfront in two instalments and with the Council holding a good level of general reserves, cash flow is not an issue.

In addition, our strongest internal control over payment of invoices comes from Financial Regulation 5.3 which requires that all invoices for payment be verified and certified by the Officer procuring the goods/services to confirm that the work, goods or services to which the invoice relates have been received or the work carried out. It is generally at this point that queries over quality, quantity, and physical receipt are raised and addressed.

The Council risks having a qualified audit by making the use of purchase orders an imperative when testing has shown that purchase orders are not used in all instances required by Financial Regulation 10.1, with little or no advantage gained from their use. Consequently, Officers recommend that the working of Regulation 10.1 be amended from 'shall' to 'may'.

13. REVIEW OF FINANCIAL REGULATIONS

Financial Regulations are attached for the information of Members. Members are asked to consider and agree the proposed amendments (refer Agenda Item 12) and recommend the amended Financial Regulations onwards to Full Council for adoption.

14. REVIEW OF RISK ASSESSMENT – ENVIRONMENT

Members to consider the risk assessment on Environment (assessment attached for the information of Members).

15. REVIEW OF RISK ASSESSMENT – HEALTH & SAFETY

Members to consider the risk assessment on Health & Safety (assessment attached for the information of Members).

16. REVIEW OF RISK ASSESSMENT – LEGAL

Members to consider the risk assessment on Legal (assessment attached for the information of Members).

17. REVIEW OF RISK ASSESSMENT – PHYSICAL SECURITY

Members to consider the risk assessment on Physical Security (assessment attached for the information of Members).

18. REVIEW OF RISK ASSESSMENT – REPUTATION

Members to consider the risk assessment on Reputation (assessment attached for the information of Members).

19. DATE OF NEXT MEETING

The next meeting of the Audit Committee is scheduled to be held on Thursday, 8 May 2017 at 7.00pm in the Council Chamber.

20. ANNOUNCEMENTS

Brought forward by permission of the Chairman. Requests to be submitted prior to commencement of the meeting.

AUDIT COMMITTEE WORK PROGRAMME

SUBJECT	NAME OF PERSON UNDERTAKING REVIEW	PREVIOUS COMPLETION DATE	ACTIONS BROUGHT FORWARD	STATUS	ACTIONS CARRIED FORWARD
Internal Auditor's Report	RFO	9 May 2016		Bi-annual reports to be received. Audits normally conducted Nov and May of each year Onward recommendation to Full Council.	On this agenda
External Auditor's Report	RFO	N/A		Annual report to be received (Sept/Oct each year). Onward Recommendation to Full Council	On this agenda
Asset Control	Cllr Nick Williams/RFO	2 June 2016	Conducted 2 June 2016 to be reviewed in 12 months	Annual review to be completed by June 2017	To be reviewed June 2017
Standing Orders	Cllr Nick Williams/TC/RFO	19 November 2015	Standing Orders reviewed & adopted by Full Council on 19 November 2015.	Annual review required to be completed by 31 March 2017	Subsumed into Risk Assessment – Legal. Recommend item be from work programme. P&M reviewed Standing Orders 12 January 2017 which were adopted by Full Council 19 January 2017
Income Controls	Cllr Nick Pinches	2 June 2016	Conducted 2 June 2016	Review received 6 October 2016	To be reviewed June 2017
Payment Controls	Cllr Nick Pinches	2 June 2016	Conducted 2 June 2016	Review received 6 October 2016	To be reviewed June 2017
Payroll Controls	Cllr Nick Pinches	2 June 2016	Conducted 2 June 2016	Review received 6 October 2016	To be reviewed June 2017
Petty Cash	Cllr Nick Pinches	2 June 2016	Conducted 2 June 2016	Review received 6 October 2016	To be reviewed June 2017
Proper Book-keeping	Cllr Nick Pinches	2 June 2016	Conducted 2 June 2016 to be reviewed in 12 months	Annual review to be completed by June 2017	To be reviewed June 2017

SUBJECT	NAME OF PERSON UNDERTAKING REVIEW	PREVIOUS COMPLETION DATE	ACTIONS BROUGHT FORWARD	STATUS	ACTIONS CARRIED FORWARD
Review of Ongoing Suppliers	Cllr Simon Thornton /Facilities Manager/TC	Ongoing	Report received from Office Secretary relating to the change of stationery suppliers as a more lucrative supplier has been found. Further suppliers to be reviewed as an ongoing task and reported to next meeting of the Audit Committee by Cllr Thornton. Received updated Gas and Electricity review of charges renegotiated. Utility suppliers switched in August 2014. GTC uses a broker to ensure it is made aware of the best available deal.	Ongoing task.	As part of move to being web hosted, cost of providing IT Services was reviewed. Existing supplier provided best cost / benefit. Gas / Electricity suppliers' contract reviewed Sept 2016 – Broadwater changed Electricity Suppliers. GTC uses a broker to ensure it is made aware of the best available deal. BT telecommunications were reviewed January 2016. New contract at Broadwater resulted in savings. Further review of requirements for the Pepperpot is needed (currently has broadband and two phone lines).
VAT Controls	Cllr Simon Thornton	2 June 2016	Conducted 2 June 2016 to be reviewed in 12 months	Annual review to be completed by June 2017	To be reviewed June 2017
Bank Reconciliation	Cllr David Hunter/RFO	Ongoing	Latest Bank recs reviewed at each Meeting of Audit Committee	Chairman to review and sign at each meeting of the Audit Committee.	Ongoing
Financial Regulations	Simon Thornton	31 March 2016	Review of Financial Regulations completed at by this Committee 10 March 2016 and agreed by Full Council on 31 March 2016	Annual review required to be completed by 31 March 2017	On this agenda
Procedures	Simon Thornton	Ongoing	Financial procedures as updated agreed by this Committee on 6 October 2016	List of procedures completed.	Financial Administrator to identify any missing procedures by 6 May 2017

SUBJECT	NAME OF PERSON UNDERTAKING REVIEW	PREVIOUS COMPLETION DATE	ACTIONS BROUGHT FORWARD	STATUS	ACTIONS CARRIED FORWARD
Budgetary Controls	Simon Thornton	6 October 2016	Conducted 6 October 2016 to be reviewed in 12 months	Annual review to be completed by October 2017	To be reviewed October 2017
Risk Management					
Risk Assessment - Business Continuity	Cllr Nick Williams/TC/RFO	6 October 2016	Updated Business Continuity Plan considered & agreed on 5 October 2016	Annual review to be completed by October 2017	To be reviewed October 2017
Risk Assessment - Environmental	Cllr Ollie Purkiss/TC/RFO	February 2014	To be reviewed annually	Review outstanding but TC/RFO does not deem it high priority because of duplication elsewhere.	On this agenda
Risk Assessment - Legal	Cllr Nick Williams/TC/RFO	31/03/2013	Town Clerk reported orally on 10 March 2016 that Penningtons would be retained for all ongoing work but that new solicitors would be considered for new work – e.g. employments issues – noting that urgency sometimes made it expedient to instruct the usual solicitors on new matters.	To be reviewed for 6 October 2016 meeting	On this agenda
Risk Assessment - Physical/Security	TC/RFO/Cllr Ollie Purkiss	24/01/2013	Reviewed and presented to meeting 24 January 2013.	Review outstanding	On this agenda
Risk Assessment - Reputation	Cllr Julie Noyce/TC/RFO	10/03/2016	No outstanding issues. To be reviewed in Feb 2015	To be next reviewed for 16 March 2017	On this agenda
Website	Cllr Ollie Purkiss		New website planned as project for 2016	Business Continuity Plan to be updated to cover risks to website	Ongoing risks associated with the website are contained within the risk assessments for Reputation and Business Continuity. Recommend this item be removed from the Work Programme.

SUBJECT	NAME OF PERSON UNDERTAKING REVIEW	PREVIOUS COMPLETION DATE	ACTIONS BROUGHT FORWARD	STATUS	ACTIONS CARRIED FORWARD
Risk Assessment - Health & Safety	Cllr Simon Thornton /TC/RFO	June 2015	<p>Health & Safety Risk assessments reviewed.</p> <p>TC to ensure announcements at meetings to ensure adequate 'In case of fire' information is given to the public (also to cover recording of meetings).</p> <p>2015 February Appraisals identified additional training needs in particular Manual Handling training for new staff and refresher training for existing staff.</p> <p>Fire Risk Assessment for BWP deferred to be completed alongside Fire Safety Plan for the newly refurbished WNCC – to be reported 10 March 2016</p>	Review outstanding to be reported 6 October 2016	On this agenda
Financial Risks	Cllr Simon Thornton /TC/RFO	6 October 2016	Conducted 6 October 2016 to be reviewed in 12 months	Annual review to be completed by October 2017	To be reviewed October 2017
Insurance	Town Clerk	10 March 2016	Review complete 10 March 2016. To be reviewed in 12 months	On going	Meeting held with WPS Insurance brokers 21 February 2017. Aside from the potential impact of taking on the Godalming Museum, insurance needs meet Council's requirements.
Management of Debt (particularly Bad Debt)	RFO	Draft Credit Control Policy considered & agreed on 8 October 2015. Adopted by Full Council 19 November 2015. First judgement obtained in GTC's favour February 2016		Review required after 1 year of operation – report 16 March 2017	On this agenda

Section 1 – Annual governance statement 2015/16

We acknowledge as the members of:

Enter name of smaller authority here:

GODALMING TOWN COUNCIL

our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2016, that:

	Agreed		'Yes' means that this smaller authority:
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓		prepared its accounting statements in accordance with the Accounts and Audit Regulations.
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
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 smaller authority to conduct its business or on its finances.	✓		has only done what it has the legal power to do and has complied with proper practices in doing so.
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.	✓		during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.
5. We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered the financial and other risks it faces and has dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		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.
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
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 smaller authority and, where appropriate have included them in the accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.

This annual governance statement is approved by this smaller authority and recorded as minute reference:

23-16

/ dated 12/05/2016

Signed by:

Chair

dated

12/05/2016

Signed by:

Clerk

dated

12/05/2016

*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how this smaller authority will address the weaknesses identified.

Section 2 – Accounting statements 2015/16 for

Enter name of smaller authority here:

GODALMING TOWN COUNCIL

	Year ending		Notes and guidance
	31 March 2015 £	31 March 2016 £	
1. Balances brought forward	463 758	509 726	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2. (+) Precept or Rates and Levies	449 026	457 022	Total amount of precept or (for IDBs) rates and levies received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	197 207	1 060 400	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs	208 635	248 753	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5. (-) Loan interest/capital repayments	NIL	11 289	Total expenditure or payments of capital and interest made during the year on the smaller authority's borrowings (if any).
6. (-) All other payments	391 630	1 430 964	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	509 726	336 142	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8. Total value of cash and short term investments	527 166	314 166	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.
9. Total fixed assets plus long term investments and assets	184 745	1 241 182	The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the smaller authority as at 31 March
10. Total borrowings	NIL	836,776	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council acts as sole trustee for and is responsible for managing Trust funds or assets. N.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2016 the accounting statements in this annual return present fairly the financial position of this smaller authority and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer

[Signature]

Date

03/05/2016

I confirm that these accounting statements were approved by this smaller authority on this date:

12/05/2016

and recorded as minute reference:

24-16

Signed by Chair of the meeting approving these accounting statements.

[Signature]

Date

12/05/2016

Section 3 – External auditor certificate and report 2015/16 Certificate

We certify that we have completed our review of the annual return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2016 in respect of:

Enter name of
smaller authority here:

GODALMING TOWN COUNCIL

Respective responsibilities of the body and the auditor

This smaller authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The smaller authority prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2016; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review the annual return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and does not provide the same level of assurance that such an audit would do.

External auditor report

(Except for the matters reported below)* on the basis of our review of the annual return, in our opinion the information in the annual return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the smaller authority:

Please see enclosed report

(continue on a separate sheet if required)

External auditor signature

External auditor name

BDO LLP Southampton
United Kingdom

Date

22/8/16

Note: The NAO issued guidance applicable to external auditors' work on 2015/16 accounts in Auditor Guidance Note AGN/02. The AGN is available from the NAO website (www.nao.org.uk)

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Annual internal audit report 2015/16 to

Enter name of smaller authority here:

GODALMING TOWN COUNCIL

This smaller authority's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2016.

Internal audit has been carried out in accordance with this smaller authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this smaller authority.

Internal control objective	Agreed? Please choose only one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been kept properly throughout the year.	✓		
B. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. 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.	✓		
K. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

For any other risk areas identified by this smaller authority adequate controls existed (list any other risk areas below or on separate sheets if needed)

Name of person who carried out the internal audit MARK MULBERRY BA (HONS) FCCA CTA

Signature of person who carried out the internal audit M Mulberry Date 3/5/2016.

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

RECEIVED
30 AUG 2016

**ISSUES ARISING REPORT FOR
Godalming Town Council
Audit for the year ended 31 March 2016**

BDO

Introduction

The following matters have been raised to draw items to the attention of Godalming Town Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2016. This report must be presented to a full meeting of the smaller authority for review.

The audit of the annual return may not disclose all shortcomings of the systems as some matters may not have come to the attention of the auditor. For this reason, the matters raised may not be the only ones that exist.

The matters listed below are explained in further detail on the page(s) that follow;

- Box 11 not completed
-

The following issue(s) have been raised to assist the council. The council is recommended to take action on the following issue(s) to ensure that the council acts within its statutory and regulatory framework.

Box 11 not completed

What is the issue?

The council has not answered box 11 in Section 2 of the annual return. We believe based on prior year information that the council should have answered 'No'.

Why has this issue been raised?

This is a note for the reader of the accounts to clarify that the council is not a sole trustee of any charities and also to ensure that the council answers this question in future. It does state on the form that no box should be left blank.

What do we recommend you do?

The council should ensure in future years that it answers 'No' to box 11, to confirm whether the council does act as the sole trustee of and is responsible for managing trust funds or assets.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in England - A Practitioners Guide, NALC/SLCC

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 22 August 2016



Signed By

Name:	Louise Goodfellow
Email:	Townclerk@godalming-tc.gov.uk
Client of:	Mark Mulberry

Signature Detail

Date & Time:	25/01/2017 04:44:36 (GMT)
IP Address:	81.140.26.33
Document filename:	GOD001 - Godalming Town Council Interim Internal Audit Report

Louise Goodfellow agrees and approves the contents of this document.

Godalming Town Council

Internal Audit

Year Ended 31st March 2017



Prepared by: Mulberry & Co
Date of Interim Visit: 18th November 2016
Date of Final Visit: TBC

Law and Regulation Regarding Internal audit

Regulation 6 of the Accounts and Audit (England) Regulations 2011 imposes a duty on local councils to ‘maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Internal audit is a key component of the system of internal control.

The purpose of internal audit is to review and report to the council whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit’s role is to assist the council in fulfilling its responsibility to have and maintain proper internal control arrangements and those for the prevention and detection of fraud, error or mistakes

All internal audit work must be reported to the council. Any report by internal audit is addressed to the council, may recommend actions to be taken by the council, and should be treated as a document open to view by local taxpayers.

Two pieces of legislation set out how local councils should behave when accounting for the public funds they manage and what rights local taxpayers have in relation to those accounts. These are the **Audit Commission Act 1998** and the **Accounts and Audit Regulations issued from time to time under the Act**. The requirement for local councils to prepare accounts annually and to subject them to external audit comes from the Audit Commission Act 1998 (the Act). The Act describes the rights of taxpayers and other interested parties in relation to those accounts.

Under the regulations, all local councils must at least once a year conduct in accordance with proper practices a review of the effectiveness of their system of internal control and publicly report the outcome. The Annual Governance Statement in Section 2 of the annual return provides the means for local councils to report to local taxpayers on their system of internal control.

This report is prepared for the council and proper officers of the council named above, for use in fulfilling their obligations under the Audit Commission Act 1998 and the Accounts and Audit Regulations issued from time to time under the Act for preparing the Annual Return and reviewing the effectiveness of their system of internal controls. Mulberry and Co accept no responsibility for any action or inaction taken as a result of the findings of this report and accept no responsibility to any other party other than those named above.

No part of this material may be reproduced in any form without the prior permission of Mulberry & Co.

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Summary Findings

I enclose my interim report for your kind attention and presentation to the council. My audit was conducted in accordance with current practices and guidelines and testing was conducted in line with the inherent risks assessment. Whilst I have not tested all transactions, my sample has where appropriate covered the entire year to date. Amongst others, the following areas were covered in my testing:-

- 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 RBS package.

It is my conclusion that the council has robust policies and procedures in place that are fit for purpose and it has provided evidence to show it is following its own financial regulations and standing orders. In addition to this, the council has risk management strategies in place and policies that enable it to achieve its principle objectives and where there is a financial risk this is appropriately insured for.

Councillors are informed individuals and are provided opportunities for training and every effort is made by the council to ensure new members are given training and support.

The council staff are trained and demonstrate a good working knowledge of the council and actively seek to make continuous improvements for the betterment of the council.

I conclude that at the interim stage there are no significant matters that require attention and whilst my report does recommend a couple of improvements these are only to improve upon an already well ordered system.

A. BOOKS OF ACCOUNT

The council continues to use RBS an industry specific accounting package. I have tested the brought forward balances against the prior year annual return and can confirm these have been brought forward correctly.

The RBS system is used daily to report and record the financial transactions of the council and a review of the cashbook shows that all data fields are being entered, the hard copy reports are easy to read and logically filed. I therefore make no recommendation to change in this system.

The council also uses Sage Line 50 for its payroll function.

The council uses a diary based/manual system for hall hires and a manual system for burials.

The clerk/RFO is responsible for ensuring staff are trained and this is reviewed via annual the appraisal system.

B. FINANCIAL REGULATIONS, STANDING ORDERS, POLICIES

The NALC model Financial regulations were taken to council in March 2016, and duly approved.

The NALC model Standing Orders were taken to council November 2015 and duly approved. It was demonstrated that three clear working days notice is given of council meetings.

The council has a number of policies in place and a robust attitude to maintaining and following these on an ongoing basis.

The NALC model Members Code of Conduct was last reviewed/adopted in September 2013. No amendments or changes have been made since that date; however, the governance committee will be reviewing before the year end. It was demonstrated that the declarations of interest were signed within 28 days of appointment.

The council has an open-door policy and an ethos to providing training and support to members throughout their term as councillor's. The council has a training budget in place and all councillors are given a member's pack that contains policies and regulations.

Council is given authority to spend via the annual budget process, payments are made so long as there is available budget. It is clear council has good robust systems, policies and regulations in place and takes seriously its responsibility in this regard.

Council has 20 member positions of which no are currently vacant. Council meets regularly throughout the year.

Payments are authorised in accordance with financial regulations and a dual signatory system is in place for all payments including BACs. Council is seen to approve bad and doubtful debts.

C. RISK MANAGEMENT & INSURANCE

The council has a risk strategy in place and monitors and reviews risk on an ongoing basis. Council is aware of and has policies in place to mitigate financial risk.

Council is insured with Aviva on a standard local authority long term deal. Asset and money cover appear adequate.

The council is working on a neighbourhood plan and does have a work programme in place for the audit and staffing policy & management committees. Whilst there is no business plan in place there is an understanding of what the council wants to achieve over the foreseeable future.

D. BUDGET & PRECEPT

The council is the process of preparing the budgets for 2017/18. It is anticipated this will be completed by end of December/January. Full council will review in January.

Council has circa £550k of bank balances of which £150k is currently earmarked. At an average net spend of £35k per month the remaining general reserves at the year-end will be circa £225k, this equates to roughly five months of monetary cover, although does not leave significant room for unplanned expenditure or new earmarked reserves. This is adequate for a council of this size.

There is likely to be a budget deficit at the year end; however this will be covered by general and earmarked reserves.

E. INCOME

This will be the focus of a second interim visit.

F. PETTY CASH

TBC at second visit

G. PAYROLL

TBC at year end

H. ASSETS AND INVESTMENTS

The asset registers are up to date and properly maintained.

I. BANK RECONCILIATIONS

The bank reconciliations for all accounts are properly prepared and presented to council and committee for verification and approval. The system of reconciliation is working correctly.

The reconciliation at the 30th September was verified in detail,

J. YEAR END ACCOUNTS

Tbc year end

K. TRUSTEESHIP

N/A

Mark Mulberry

Internal Auditor
18th November 2016.

Points Forward – Action Plan

Point Forward / Action needed	Auditor notes	Council response
Other		
Payment approval sheets	The system of approving payments is working, although I would suggest perhaps looking to see if a transaction number or payment date can be used in place of a calendar period to avoid back posted items being omitted.	

Overview of Council

	Work Task	Schedule Ref	Notes/Results
Terms of Engagement			
1	Review terms of engagement letter and confirm appropriate to this year		New engagement letter issued Engagement letter is kept on the correspondence file.
2	Confirm that the professional independence and competence questionnaire has been completed and agreed with the client	1.2	Yes – confirmed and attached
3	Complete Budget	1.3	Completed & Agreed with Client
4	Complete Timetable	1.4	Completed & Agreed with Client
Planning Notes – Understanding the Town & Parish Council			
	Number of electors and size of precept		16,000 2015/16 Precept £457k Grant £13k 2014/15 Precept £449k Grant £16k
	Key personnel		Louise Goodfellow Clerk & RFO Rita Tong – Accountant
	Type of financial accounting in place i.e. Manual books, computerised system		RBS Omega Accounts system
	Does the council carry out an annual risk assessment, and is it documented.		Yes – The various assessments are reviewed on a rolling annual basis and are approved by the various sub committees and ratified by the full council. Audit sub committee are reviewing various risk assessments as an on-going project.
	Does the council have a good control environment (evidence of internal reviews and counter signing of cheques etc)		Yes there are good internal controls in place – see notes attached.
	Any significant changes since prior year (staff or procedures)		New accountant
	Any there any matters arising from last year's audit and/or management letter		None
	Matters arising from discussions with council, including whether there is any evidence of fraud or material misstatement.		None
	Key high risk or expected problem areas,		None

Professional Independence and Competence Questionnaire

The internal audit function must be sufficiently independent from the management of financial controls and procedures of the council which are the subject of review. The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the council.

There are two key principles, which all local councils must follow in setting up their internal audit function, regardless of how procured: **independence and competence**.

INDEPENDENCE	
Do you have any specific reliance on the fee to be earned from this assignment	No
Overdue fees	
Does the client/group of clients owe the firm any money which exceeds our normal credit terms?	No
Litigation	
Is there any actual or anticipated litigation between us and the client in relation to fees, audit work or other work?	No
Associated firms	
Are you or your staff associated with any other practice or organisation which has had any dealings with the client council?	No
Family or other personal relationships	
Do you or any of your staff have personal or family connections with the council or its officers?	No
Mutual business interest	
Do you or any of your staff have any mutual business interests with the client or with an officer or employee of the client?	No
Financial involvement	
Do you or your staff, or anyone closely related to you or any of your staff, have any financial involvement in the client in respect of the following:	
Any beneficial interest in shares or other investments?	No
Any loans or guarantees?	No
Goods and services: hospitality	
Have you or any of your staff accepted materials, goods or services on favourable terms or received undue hospitality from the council?	No
Ex-partners or senior staff	
Has any senior officer of the council been a partner or senior employee of the practice?	No
Is the partner or any senior employee on the audit team in negotiations to join the client?	No
Long association	
Have you been acting for more than 10 years? If yes, then consider rotation/engagement quality review. 9th Year of auditing	No
Provision of other services	
Do we provide any of the following services to the client:-	
Accounting services, book-keeping or payroll services	No
Staff secondments	No
IT services where we are involved in the design, provision or implementation of systems	No
Specialist valuations which are included in the accounts	No
Tax compliance work or tax planning	No

Corporate finance activities	No
Any advocacy services e.g. Tax commissioner hearings	No
Any services relating to the management of the council	No
Any other services that may cause a threat to the firm's objectivity or independence	No
Where any of the above have been answered 'yes', then specify below what safeguards are proposed to maintain integrity and independence:-	
Competence	
Consider the following matters prior to deciding to accept appointment/re-appointment as auditors:	
Are there any particular challenges and risks associated with this client?	No
Do we have sufficient expertise available to undertake this audit engagement?	Yes
Are there sufficient resources available to undertake this audit engagement?	Yes
Having regard to the safeguards identified, I am satisfied that we are independent and competent to perform this audit.	

Budget

		Hours
Planning & Systems Work	Interim Visit	2
File Review and reporting	Interim Visit	1
Financial Procedures	Final Visit	2
File review	Final Visit	1
Total Budget Hours		6
Hourly Rate		£50
Time Cost		£300
Other costs	Mileage	£50
Total Budgeted Cost		£350
Total Budgeted Fee		£400

Timetable

Autumn 2016	Planning and Interim Audit work
February 2017	Second Interim
May 2017	Final Audit work
May 2017	Issue Audit Report & Letter

Inherent Risk Assessment

Based on the above findings and discussions with council it is my opinion that the inherent risk within the systems of the council is categorised as follows

Work Task	notes	
Are standing orders and financial regulations regularly reviewed	Yes these were on site and were current and reference to a minute	Low Risk
Is council following its written Financial regulations & standing orders	Yes	Low Risk
Does the council have risk assessments in place and are these reviewed at least annually	Yes	Low Risk
Does the council have a committee or working party responsible for internal checking	Yes	Low Risk
Is there evidence of hierarchical review (counter signing bank rec, invoices etc)	Yes	Low Risk
Is there regular reporting against budget?	Yes	Low Risk
Are books and records maintained on a regular basis	Yes	Low Risk
Is the clerk under time pressure	No	Low Risk
Are there complicated transactions?	No complicated transactions	Low Risk
Any changes to key staff	No	Low Risk
Any changes in systems or procedures	No	Low Risk
Is all info on site and to hand?	All info on site and to hand	Low Risk
Any problems in the past	No problems in past	Low Risk
Are there any other factors to consider?	Records neat and tidy	Low Risk

Conclusion & Opinion

I discussed the system above with the RFO and reviewed an invoice picked at random, which contained all the details mentioned above.

The system in place is robust and entirely fit for purpose for a Parish Council of this size. There are good internal controls, policies and procedures in place which are reviewed on an annual basis.

I am of the opinion that the inherent risk in the system is low and would recommend a sample size of 10 when testing in detail and would also state that the internal controls can be relied upon.

Specific Audit Plan

Audit Area Section 4 Annual Return	Notes	Risk of error or misstatement	Tests	Ref
Appropriate books of account have been kept properly throughout the year.	RBS package in place, limited and uncomplicated transactions	Low	Review transactions in cashbook make verbal enquiries. Test arithmetic.	A
The council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	Good, simple system	Low	Review invoices and reconcile to cash book in detail. Review minutes and cheque books for authorisations	B
The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Risk assessment policy written risk assessments carried out	Low	Review and comment	C
The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate	RBS package used	Low	Review minutes for evidence of council discussion of the same	D
Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Only income is precept	Low	Test to precept application	E
Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	Limited Petty Cash	Low	Review and comment	F
Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	Payroll processed using sage system	Low	Test rates and hours are authorised Test net wages to payments due	G
Asset and investments registers were complete and accurate and properly maintained.	Fixed asset register in place	Low	Review insurance schedule and cashbook for missing items off the register	H
Periodic and year-end bank account	Regular reconciliations on RBS	Low	Test reconciliation in detail	I

reconciliations were properly carried out.				
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, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.	Receipts and payments	Low	Test audit trail sufficient for electors rights	J
Trust funds (including charitable) The council met its responsibilities as a trustee.	None	Low	Nothing to test	K

end of interim report



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& Chartered Tax Advisors

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Our Ref: MARK/GOD001
Your Ref:

Mrs R Tong
Town Council Offices Municipal Buildings
Bridge Street
Godalming
Surrey
GU7 1HR

2nd March 2017

Dear Rita

Re: Godalming Town Council – Income Testing

I attended site on the 24th February to test the income of the council, specifically income from hall hiring. The council has a digital calendar based appointments system; however, this is not linked to the invoicing system, nor the financial accounting package.

There are 5 locations that can be let out with all sites apart from Broadwater being dealt with by the council office. The Broadwater site is managed exclusively by Suzie at the Broadwater site.

The council is responsible for reviewing and updating the annual charges for each location and testing showed this to have been completed in year.

Each site is allocated a colour on the appointments calendar and in some cases this colour is changed when the booking is paid for; however, this is not consistent across the sites and different colours are used for this purpose by different users.

The system for accepting a booking is similar across the sites. An enquiry is made and the appointment system populated with key details regarding the hire. This does not automatically trigger the raising of an invoice. Invoices are manually raised and written at various times depending on location of the hire or whether or not the hirer is a one off or a regular customer. There is no way of using the appointments system to see if all appointments have been invoiced and or paid. It is possible to drill into the individual appointment notes by clicking on each appointment on the calendar screen and on occasion these will detail invoice numbers and payment details; however, testing proved this to be inconsistent and in one case unreliable with details not matching the hard copy invoice.

The manual nature of the system requires a level of thoroughness, that as the volume of bookings increases, becomes unmanageable and susceptible to error. I will add at this point, that Rita and Suzie were able to demonstrate a high level of accuracy and that my testing was in the main successful.

Access to the Broadwater site is via a deadlock key and alarm code. The key is issued in the post prior to the booking or on occasion left under a cone in the field. The alarm code has not in memory ever been changed. There has in the past been incidence of hirers using the site out of the allocated time slot.

Risk Areas

- Inconsistent processes for raising invoices can lead to bookings not being paid for or missed. At the point of making a booking an invoice should be raised automatically and issued to the customer. In the event a customer does not require the booking – depending on terms and conditions this can be credited back or monies retained.
- Inconsistent treatment of deposits, some are banked some are kept.
- Manual hand written invoices rely on preparer to look up multiple details regarding the booking, namely rates and periods if a regular hirer. This is prone to error and misstatement.
- Hand written invoices can look scrappy.
- Cash in transit – it is possible for payment for the Broadwater site to be paid direct to that site, cash in transit between the sites is a risk area.
- Unauthorised access to sites, where keys given in advance.
- Heavy reliance on detailed knowledge of current staff – processes not documented.

Recommendations

- I would recommend that the council review enhancing the appointments system and invest in the automatic digital link to the RBS invoicing system. This will ensure that at the point of appointment, invoices are raised, hire charges are pre-programmed, and the presentation of the invoice is consistent. In addition to this, staff time will be saved not manual writing invoices, the cost of printing triplicate invoice pads will be avoided and time will be saved processing invoices on RBS as these will be automatically posted the financial accounting system.
- The council should consider changing the locks at Broadwater for a security key that cannot be copied, and the alarm code should also be regularly changed. In addition to this I would recommend a key safe be used instead of the post or cone, again the code on this can be changed weekly to prevent misuse.
- Deposits should be banked entire and returned in the same manner if not required.
- Payment for hiring should be bacs/online
- The process for making a booking needs to be written down and in the event that staff members leave this process can be transferred to a new staff member without the loss of retained knowledge.

If you have any queries in connection with the above findings, please do not hesitate to contact me.

Kindest regards



Mark Mulberry

9. REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL FOR GODALMING TOWN COUNCIL AND GODALMING JOINT BURIAL COMMITTEE

Background

1. Paragraph 4 of the Accounts and Audit (England) Regulations 2011 says the following:

4. (1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.
- (2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.
- (3) The findings of the review referred to in paragraph (2) must be considered—
 - (a) in the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and
 - (b) in the case of a smaller relevant body, by the members of the body meeting as a whole, andfollowing the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.
- (4) The relevant body must ensure that the statement referred to in paragraph (3) accompanies—
 - (a) any statement of accounts it is obliged to prepare in accordance with regulation 7, or
 - (b) any accounting statement it is obliged to prepare in accordance with regulation 12.

(Members to note that for the purposes of the Accounts and Audit Regulations Godalming Town Council and the Godalming Joint Burial Committee are both smaller relevant bodies.)

2. It is part of the role of this Committee to undertake a rolling programme of work that goes to inform the Council's review of the effectiveness of its system of internal control and the work programme forms part of the Council's evidence base. This Committee also undertakes that work on behalf of the Godalming Joint Burial Committee, although as previously discussed in that case the relationship is different – this Committee is not a committee of the Joint Burial Committee but Councillor Noyce does represent the JBC on this Committee.
3. It is the practice of Godalming Town Council and of the Godalming Joint Burial Committee to undertake reviews of the effectiveness of internal control by 31 March each year. In addition to its ongoing reviews this Committee will undertake two formal reviews, which together make up the "review of the effectiveness of systems of internal control". The first of these is this report and will inform the reviews to be undertaken by Full Council on 30 March 2017 and the Godalming Joint Burial Committee on 23 March

2017. The second will take place on 8 May 2017 when this Committee reviews the annual governance statement alongside the statement of accounts.

Effectiveness of systems of internal control

4. Members are asked to consider whether this Committee's work programme deals adequately with the internal systems of control?
5. Members are further asked to address specifically the question of the effectiveness of audit and to do that by considering the questions and suggested responses shown below:

- **Scope of Audit**

Has the scope of the internal audit been discussed with the Internal Auditor to ensure that all the relevant risks are covered?

- The scope of the internal audit had been discussed with the Internal Auditor in order to ensure that all the relevant risks were covered. The scope of Audit has not changed since Mulberry & Co were first appointed although additional reviews have been performed as and when considered necessary.

- **Independence**

Is the Internal Auditor sufficiently independent, objective and unbiased?

- The Internal Auditor is sufficiently independent, objective and unbiased evidenced by the fact that Mulberry & Co is an external accountancy firm trading independently. Mulberry & Co had a particular specialism in Town and Parish Councils. Members to note that it is good practice to change the Internal Auditor every 6-10 years and that Mulberry & Co is in its eighth year as the Council's Internal Auditor;

- **Competence**

Does the Internal Auditor have sufficient knowledge to be able to carry out the audit?

- The Internal Auditor has sufficient knowledge to be able to carry out the audit as demonstrated by the fact that Mark Mulberry (the Internal Auditor) is a Chartered Certified Accountant and Registered Auditor;

- **Relationships**

Are the relevant responsibilities of Members, Clerk and RFO clearly defined?

- The relevant responsibilities of Members, Clerk, RFO are clearly defined in the job description for the Clerk/RFO and the terms of reference of the Audit Committee. There are also clear definitions of responsibility in Financial Regulations which are reviewed at least annually.

- **Audit Planning & Reporting**

Is the body aware of a timetable of when the internal and external audits will take place and when the reports from these will be expected?

- The Committee is made aware of the timetable of when the internal and external audits will take place and when the reports from these would be expected. The last Internal audit was conducted 18 November 2016 and reported at this meeting (agenda item 8). The Committee's observations will then accompany the Internal Audit Report to the Full Council on 30 March 2017. At its meeting on 11 May 2017 Full Council should formally agree the annual return including the statement of accounts and the annual governance statement. The annual return is to be sent to the External Auditor by 15 May 2017 and the expectation is that it should be received back by 30 September 2017. The annual return will be considered at the next scheduled meeting following its receipt from the External Auditor.

Internal Audit Process

6. The Committee is further asked to consider the following questions and suggested responses with regard to internal audit arrangements.

Is the work of the Internal Audit reviewed regularly?

- The work of the Internal Auditor is reviewed regularly; initially by officers, then in detail by the Audit Committee. Findings and recommendations of the Audit Committee are reported to Full Council;

Are the reports on the work of the Internal Auditor presented to the Committee?

- The reports on the work of the Internal Auditor are presented to the Audit Committee; the most recent included on this agenda (refer agenda item 8);

Are the reviews and risk assessments undertaken from the Work Programme by the Audit Committee on behalf of the Joint Burial Committee reported to the Committee?

- The reviews and risk assessments undertaken from the Work Programme by the Audit Committee on behalf of the Godalming Joint Burial Committee will be reported to the forthcoming JBC meeting on the 23 March 2017.

Does the Audit Committee provide regular reports relating to its recommendations and the agreed Work Programme to the Full Council?

- The Audit Committee reported to Full Council on 12 May 2016 (Minute No. 22 - 16 refers). The report of this meeting will be reported to the forthcoming Council meeting on 30 March 2017.

Are the annual reports from the Internal Auditor presented to the Committee?

- The Annual Reports from the Internal Auditor are usually presented to the Audit Committee and then received by Full Council (the last Annual Report was received by the Policy & Management Committee on 24 March 2016 and Full Council on 31 March 2017).

External Audit Process

7. The Committee is further asked to consider the following questions and suggested responses with regard to external audit arrangements.

Are the annual reports from the External Auditor presented to the committee?

- the Annual Reports from the External Auditor relating to Godalming Town Council are presented to the Audit Committee, the most recent being included on this agenda (refer agenda item 8).

Does the committee ensure that recommendations from the External Auditor are implemented?

- If there are recommendations from the External Auditor then Members ensure that they are implemented. The sole recommendations for 2015-16 was to ensure all boxes on the Annual Return are completed even where not applicable (ie Box 11).

Mark Mulberry of Mulberry & Co was first appointed as the Internal Auditor in 2010/2011 and has been reappointed for the current year. This Committee will be asked to consider whether Mulberry & Co should be reappointed for 2017/18.

BDO will be the External Auditor for Godalming Town Council and the Godalming Joint Burial Committee for the 2016-17 financial year. The Smaller Authorities Audit Appointments has advised that the External Auditor appointed for the next five financial years from 2017-18 to 2021-22 will be PKF Littlejohn LLP.

Characteristics of the Review

8. Finally the Committee is asked to consider the following questions and suggested responses about the overall characteristics of this review.

Can it be seen as a Catalyst for Change?

- Yes, the evidence being the Work Programme and the reviews undertaken to assess risk and the areas that are developed from these reviews

Does it Add Value?

- Yes, value is provided by the follow-up actions that are taken from the work programme to make improvements to enhance our services and reduce risk.

Is it Forward Looking?

- Yes, the review identifies risks and incorporates them into the Audit Committee's Work Programme, which is reviewed and updated at each meeting of the Committee to ensure it is forward looking and meeting events.

Is it Challenging?

- Yes, the Audit Committee has created its own Work Programme identifying areas and risks over and above the norm that are considered and are reviewed on a regular basis to ensure compliance and to allow Members to take ownership of the risks and how they are managed to meet best practice.

Are the right resources available for the Internal Auditor to complete its work?

- Sufficient budget exists to meet internal audit fees (and addition professional fees budget and/or reserves should unexpected circumstances demand more internal audit input). Good communication lines exist between the Internal Auditor and the council's officers and contracted staff.



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Mrs L Goodfellow
Godalming Town Council
Town Council Offices Municipal Buildings
Bridge Street
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GU7 1HR

17th January 2017

Dear Sirs,

We are pleased to accept the instruction to act as internal auditors for the Council and are writing to confirm the terms of our appointment outlined below. The purpose of this engagement letter is to set out the basis on which we are engaged to act as internal auditors and our respective areas of responsibility, it should be read in conjunction with our standard terms and conditions.

We are bound by the ethical requirements of the Association of Chartered Certified Accountants, and accept instructions to act for you on the basis that we will act in accordance with those ethical requirements. A copy of these requirements can be viewed at our offices on request or can be seen at www.accaglobal.com.

1. Period of engagement

- a. This letter is effective for accounting periods ending on or after 31-03-2018. (The 2017/18 Council year)
- b. It replaces all previous engagement letters. The previously agreed commencement date for this engagement still applies.
- c. We will deal with matters arising in respect of periods prior to the above period as appropriate.

2. Responsibilities of the Council and Internal auditors

- a. The council is responsible for ensuring that the council maintains adequate accounting records and for preparing financial statements that have been prepared in accordance with current practices and guidelines.
- b. You are also responsible for making available to us, as and when required, all the council's accounting records and all other relevant records and related information, including minutes of all meetings. We are entitled to require from the council's officers and employees such other information and explanations as we think necessary for the performance of our duties as internal auditors.
- c. We have a statutory responsibility to report to the external auditors whether in our opinion the financial statements have been properly prepared in accordance with current practices and guidelines. In forming this opinion, we shall:
 - i. Review the accounting records and all other relevant records and related information, including minutes of all meetings.
 - ii. If deemed necessary, conduct two or more reviews per annum to verify both the procedural and financial aspects of the council.

- iii. Report to you in writing any such adjustments that we may consider necessary, or those areas where we think your systems may require improvement.
 - iv. Sign off the annual return as internal auditors.
- d. We have a professional responsibility to report if the financial statements do not comply in any material respect with applicable accounting standards, unless in our opinion the non-compliance is justified in the circumstances. In determining whether or not the departure is justified we consider:
- i. whether the departure is required in order for the financial statements to give a true and fair view; and
 - ii. whether adequate disclosure has been made concerning the departure
- e. As with other professional services firms, we are required to identify our clients for the purposes of the UK anti-money laundering legislation. We are likely to request from you, and retain, some information and documentation for these purposes and/or to make searches of appropriate databases. If we are not able to obtain satisfactory evidence of your identity within a reasonable time, there may be circumstances in which we are not able to proceed with the audit appointment.
- f. The provision of audit services is a business in the regulated sector under the Proceeds of Crime Act 2002 and, as such, partners and staff in audit firms have to comply with this legislation which includes provisions that may require us to make a money laundering disclosure in relation to information we obtain as part of our normal audit work. It is not our practice to inform you when such a disclosure is made or the reasons for it because of the restrictions imposed by the 'tipping off' provisions of the legislation.

3. Scope of Audit

- a. Our audit will be conducted in accordance with current practices and guidelines, and will include such tests of transactions and of the existence, ownership and valuation of assets and liabilities as we consider necessary.
- b. We shall obtain an understanding of the accounting and internal control systems in order to assess their adequacy as a basis for the preparation of the financial statements and to establish whether proper accounting records have been maintained by the council. We shall expect to obtain such appropriate evidence as we consider sufficient to enable us to draw reasonable conclusions there from.
- c. The nature and extent of our procedures will vary according to our assessment of the council's accounting system and, where we wish to place reliance on it, the internal control system, and may cover any aspect of the business's operations that we consider appropriate. Our audit is not designed to identify all significant weaknesses in the council's systems but, if such weaknesses come to our notice during the course of our audit which we think should be brought to your attention, we shall report them to you. Any such report may not be provided to third parties without our prior written consent. Such consent will be granted only on the basis that such reports are not prepared with the interests of anyone other than the council in mind and that we accept no duty or responsibility to any other party as concerns the reports.
- d. As part of our normal audit procedures, we may request you to provide written confirmation of certain oral representations which we have received from you during the course of the audit on matters having a material effect on the financial statements. In particular, where we bring misstatements in the accounts to your attention that are not adjusted, we shall require written representation of your reasons.
- e. In order to assist us with the examination of your financial statements, we shall request sight of all documents or statements, including minutes and reports, which are due to be issued with the financial statements. We are also entitled to attend all general meetings of the council and to receive notice of all such meetings.

- f. The responsibility of safeguarding the assets of the council and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with you. However, we shall endeavour to plan our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records (including those resulting from fraud, error or non-compliance with law or regulations), but our examination should not be relied upon to disclose all such material misstatements or frauds, errors or instances of non-compliance as may exist.
- g. Once we have issued/uploaded our report we have no further direct responsibility in relation to the financial statements for that financial year. However, we expect that you will inform us of any material event occurring between the date of our report and that of the Annual Meeting which may affect the financial statements.
- h. We appreciate that the present size of your council renders it uneconomic to create a system of internal control based on the segregation of duties for different functions within each area of the council. In the running of your council we understand that the officers are closely involved with the control of the council's transactions. In planning and performing our audit work we shall take account of this supervision.

4. Electronic Publication

- a. Where audited financial information is published on a website or by other electronic means, it is your responsibility to ensure that any such publication properly presents the financial information and auditor's report. We reserve the right to withhold consent to the electronic publication of our report or the financial statements if they are to be published in an inappropriate manner.
- b. It is your responsibility to ensure there are controls in place to prevent or detect quickly any changes to electronically published information. We are not required to carry out ongoing review of the information after it is first published. The maintenance and integrity of electronically published information is your responsibility and we accept no responsibility for changes made to audited information after it is first posted.

5. Communication

- a. In order to ensure that there is effective two-way communication between us we set out below the expected form and timing of such communications
 - i. We shall contact you by telephone or email prior to each year-end for preliminary discussions concerning the audit.
 - ii. We may arrange a meeting to discuss the forthcoming audit prior to the expected start date.
 - iii. We may arrange a meeting to discuss any matters arising from completing the on-site work.
 - iv. We shall of course contact you on a regular basis regarding both audit and other matters.
 - v. Our report will be issued in .Pdf format via a secure server, to which only the clerk has password access

6. Other services

- a. You may request that we provide other services from time to time. We will issue a separate letter of engagement and scope of work to be performed accordingly. Because rules and regulations frequently change you must ask us to confirm any advice already given if a transaction is delayed or a similar transaction is to be undertaken.

7. Limitation of liability

- a. We specifically draw your attention to our standard terms and conditions which set out the basis on which we limit our liability to you and to others.
- b. There are no third Parties that we have agreed should be entitled to rely on the work done pursuant to this engagement letter other than the external auditors.

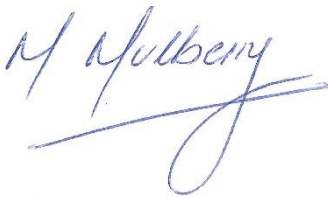
8. Fees

- a. Our fees are calculated using a stand rate per hour, plus disbursements and VAT and the standard applicable rate.
- b. Our fees for the 2017/18 council year are £50 per hour + VAT
- c. Where applicable we charge £0.45p per mile for travel
- d. Our fees are payable on presentation of invoice.

9. Agreement of terms

- a. This letter supersedes any previous engagement letter. Once it has been agreed, this letter will remain effective until it is replaced.
- b. If this letter is not in accordance with your understanding of the scope of our engagement or your circumstances have changed, please let us know
- c. This letter should be read in conjunction with the firm's standard terms and conditions.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'M. Mulberry', with a long horizontal flourish extending to the right.

Mulberry & Co

We confirm that by electronically approving this document we are agreeing that we have read and understood the contents of this letter and related terms and conditions and further agree that it accurately reflects our fair understanding of the services that we require you to undertake.