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Our Ref: MARK/GOD001

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

14th April 2020

Dear Rita

Re: Godalming Town Council
Internal Audit Year Ended 31st March 2020

Following completion of our interim internal audit on the 25th November 2019 and our final audit on the 14th April 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.**

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. The internal audit reports should therefore be made available to all members to support and inform them when they considering the authority's approval of the annual governance statement.

Interim Audit – Summary Findings

At the interim visit we reviewed and performed tests on the following areas:

- Review of the Financial Regulations & Standing Orders
- Review of the Risk Assessments
- Review of the Budgeting Process
- Proper Bookkeeping – review of the use of the accounts package.
- Review of salaries
- Review of fixed asset register

It is our opinion that the systems and internal procedures at Godalming Town Council are well established, and followed. The RFO is very experienced and ensures the council follows best practice regulations and 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 Rita 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 & AGAR
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

I am of the opinion that the annual accounts and AGAR are ready to be signed off by council and the external auditor and that the AGAR is a true and fair reflection of the financial transaction of that of the council for the year ended 31st March 2020. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The Council continues to use RBS and now uses the Rialtus suite. This an industry specific accounting package. The RBS system is used daily to report and record the financial transactions of the council.

There are a number of access users. The system is cloud based and access is required by secure log on to the local machine and a separate password for the cloud system.

- RFO -full access all areas
- Clerk – Read only all areas
- Facilities – read write to bookings
- Support services – read write to bookings.

Every month, a month end close down is performed by the RFO, various reports are printed and filed in hard copy, these include but are not limited to; income and expenditure against budget, bank reconciliations and other reports as fit.

The cashbooks are routinely printed and are retrospectively accessible. The system requires the population of key data fields to enable the user to record a transaction. This is a clear and easy to follow system and a review of the cashbook shows that all data fields are being entered, the reports are easy to read and logically filed.

My walk through audit testing of receipts and a payments chosen at random from month six, showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

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 VAT registered and the last VAT return was for quarter ended 30th September 2019, which showed a refund position. The refund was received in October. This test indicates that the council is up to date with its postings on the financial package and that these can be verified to third party evidence.

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 & PAYMENTS (INTERIM & FINAL AUDIT)

Interim Audit

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

External auditors report was not qualified in 2018/19. This was reported to council together with the notice of conclusion in September 2019. Evidence was also noted in the minutes of the internal auditor's report being reviewed and accepted. The notice of conclusion of audit and audited AGAR have been posted to the council website.

Confirm by sample testing that councillors sign statutory office forms

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

The councillors will need to sign acceptance to receive information by electronic means. I have provided some sample wording below for council consideration.

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

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

I note that the Council is required by law to follow the 2015 Transparency Code, a review of the web site has shown that the council is routinely following this. **However, a couple of the links need to be updated.**

Confirm that the Council is compliant with the GDPR.

As council is aware of GDPR. It was noted the Council has common email addresses internally which gives a natural segregation so it is clear beyond doubt in what capacity a councillor is acting, gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

Confirm that the Council meets regularly throughout the year

The council has the following committees:

- Full Council; meets circa 6 times per annum
- Audit; quarterly
- Staffing; Quarterly
- Mayoralty – annual
- P&M – 6 weekly
- Environment & Planning – new
- JBC - quarterly

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks, not committee have spending powers.

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

The RFO was able to demonstrate that at least 3 clear days' notice is given on agendas. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance.

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

Minutes are uploaded to the council website and these agree to signed hard copies.

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. These were reviewed and readopted in September 2019

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

Financial regulations are based on the NALC model. These were reviewed and readopted in September 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.

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

Financial regulation 2.3 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts and this is signed & minuted in accordance with regulations.

Financial regulation 4 deals with budgetary control and authority to spend. The office has the power to spend within a budget heading and the clerk has emergency powers up to £4,500. The internal process of the council are sufficiently robust to ensure before an order is placed the budgets are checked. On occasion it is necessary to get retrospective approval from council.

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations. The bank mandate was updated in 2019.

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit, debit card and bacs. The system in place is routinely followed and a review of the payments file showed all summaries are signed and invoices verified.

The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is as listed below. These are not incorrect but maybe restrictive for a council of this size.

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

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

1. Regular and recurring expenditure (rent, rates, wages, light & heat, contractual spend etc.) is known and authorised in advance (budget setting or tender process). These are, in the main, paid via direct debit, standing order or on-line banking. Evidence was noted in the minutes of advance variable direct debits being properly authorised.
2. An ad hoc expenditure requirement is identified and noted to the clerk/RFO – this can be from a number of sources and depending on the financial amount will be discussed in advance with council, committee or chair. If required, this is approved in advance by council committee before the expenditure incurred. My audit testing showed via the minutes that there is where appropriate discussion of expenditure before the orders are placed.
3. The order is made via the office – councillors are not allowed or permitted to place amend or vary orders.
4. The supplier invoice, when received, is reviewed by the RFO and box stamped and passed to budget holder for authorisation and review. My audit testing showed that supplier invoices do all have a box stamp.
5. The authorised invoices are then returned to the RFO and are input into the financial reporting package.

6. On a weekly basis a payments list is prepared by the RFO and councillors are invited to sign off the payment sheet and invoice. The RFO sets the payments up on the on-line banking screens and the councillors authorise the payments. Dual access is required.
7. The payments list is taken to council for approval in accordance with regulations.

Financial regulation 7 deals with approval and authorisation of salaries, the minutes and files show evidence of authorisation of changes and of wages generally.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.12 per elector.

The council has no S.137 expenditure because they have GPC.

Confirm that checks of the accounts are made by a councillor.

The system noted above details internal review takes place and councillor, committee and council level. I am under no doubt that council properly approves expenditure.

I am of the opinion the council is following its own regulations and that any changes to financial regulations are to be considered minor and no indicative of errors in the system. I am therefore 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.

Final Audit

I have reviewed the expenditure list which after excluding the one off expenditure items, is broadly similar to the prior year. The variance analysis does describe the movement from one year to the next.

I also reviewed the nominal ledger for evidence of netting off and significant journal entries, the individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

Creditors were £19,453 of which

- Trade creditors £13,001 - agrees to aged creditors rpt – no aged balances.
- Revenue in advance £2,666 – agrees to schedule
- Deposits £3,785

I am of the opinion that the control assertion "This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for", has been met.

C. RISK MANAGEMENT & INSURANCE (INTERIM & FINAL AUDIT)

Interim Audit

The Council undertakes a full risk assessment that covers operational and financial risks, this is taken to council on an annual basis.

Godalming TC is insured with Zurich, on a three year deal. Asset cover seems consistent with the asset register, and the RFO confirmed asset insurance values were reconsidered as part of the insurance tender. The insurance certificate is in date, with an expiry date of 31 March 2020.

The Museum is insured with Ecclesiastical Insurance. I viewed the Council's policy document and confirmed it runs to 31.10.20. Asset and money cover appear adequate.

In respect of motor insurance, I would recommend that council introduce a checklist of driver details to comply with insurance requirements on an annual basis. This is ongoing at the final audit date.

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

“We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.”

I am of the opinion that the control objective of “This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.”, has been met

D. BUDGET, PRECEPT & RESERVES (INTERIM & FINAL AUDIT)

Interim Audit

I confirmed that the 2020-21 budget and precept setting process was underway at the time of the audit, however, due to the election much of the detail is being withheld until after the 12th December.

Councillors receive regular reports on budget against actuals via reports to the Policy and Management Committee. I reviewed the report for the period to end of September 2019 and was able to confirm that the budget is well managed. Overspends have been properly explained and approval for funding sought from Councillors.

The Council has well developed reserves, which are properly recorded.

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.

Final Audit

The council has £502,377 of total reserves of which earmarked reserves and £238,434 of general reserves. In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £320k. I was pleased to see the detailed working and council verification of the reserves working. I am of the opinion that general reserves are reasonable and properly reported on.

I am of the opinion that the control objective of “The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.”, has been met.

E. INCOME (INTERIM & FINAL AUDIT)

Interim Audit

The Council uses the RBS booking module to invoice and collect income for hires. I tested a sample of transactions relating to income from room hires selected at random from the booking diary. In all cases, I was able to move from the diary booking through to invoice, and was able to agree cashbook figures back to invoices.

I was also able to agree rates back to approved fees and charges.

The precept was agreed in fill to third party evidence and bank statements.

I was pleased to note that the RFO regularly checks and chases aged debtors.

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.

Final Audit

The precept income was tested to remittance advice notes and application for payment. The local tax support grant has been correctly shown in box 3 of the AGAR. There are no errors to report.

Other income and other debtors were tested to remittance advice notes, and after date payment, together with a nominal ledger analysis. There is no evidence of netting off, nor were there significant numbers of journal corrections.

In total, other income has increased by £318,915 this is due in the main to income from a PWLB loan of £430k and reductions in one off income received in 2019. This has been reported on the report of significant variances. I am of the opinion that income is properly recorded.

At the year-end date the council has £32,277 of debtors. The debtors are further broken down into:

- Sales Ledger £12,280 – agrees to aged debtors rpt.
- VAT £16,281 – agrees to return
- Prepayments £3,700 – Rates
- Sundry £16 – JBC intercompany debtor

I am of the opinion that the control objective of “Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.”, has been met.

F. PETTY CASH (INTERIM AUDIT)

The council has a float of £200. This was reviewed at the audit date, it is clear this is used for small sundries and is not significant or material.

Petty cash expenditure is presented monthly to a Council meeting for approval.

I am of the opinion the control objective of “Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.”, has been met.

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

Payroll is processed using Sage 50 payroll and is processed in house by the RFO. Payroll is then reviewed by the Clerk and signed off by two councillors prior to payment to staff.

The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS.

I tested the tax deduction for a full time employee – there were no errors. I am of the opinion salaries are correctly calculated and paid.

The PAYE and NI liabilities are paid on time.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken. Casual labour payments are correctly recorded via the payroll. Councillors are not paid allowances.

Final Audit

The amounts shown on the AGAR, were reconcilable to the payroll records, there were no errors.

The year on year movement of £21,422 is less than 15% and as such does not need further explanation on the report of significant variances.

I am of the opinion that salaries are correctly stated on the AGAR and that the control object of “Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied.”, has been met.

H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)

Interim Audit

The fixed asset register is maintained on excel, additions and disposals have been agreed to a schedule prepared by the RFO and have been correctly added at cost, or written off the asset register as obsolete.

I am of the opinion that the control objective of “Asset and investments registers were complete and accurate and properly maintained.”, has been met.

Final Audit

The loan interest and capital repayments were agreed to PWLB debt management letters and the closing balance to the end of year statement letter. There were no errors.

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

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

I am of the opinion that the control objective of “Asset and investments registers were complete and accurate and properly maintained.”, has been met.

I. BANK & CASH (INTERIM & FINAL AUDIT)

Interim Audit

The Town Council has three bank accounts. The bank reconciliations for all accounts are properly prepared and presented to committee for verification and approval on a regular basis. I checked the October and November reconciliations – there were no errors.

The council has just taken out a new \$430k loan with PWLB – this was agreed to the application paperwork.

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.

Final Audit

At the year-end date the council had a reconciled bank position which has been signed in accordance with financial regulations. I have reviewed the reconciliation there were no outstanding payments and no outstanding lodgements.

I am of the opinion that bank and cash balances are properly shown on the AGAR and that the control objective of “Periodic and year-end bank account reconciliations were properly carried out.”, has been met.

J. YEAR END ACCOUNTS (FINAL AUDIT)

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

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2018-19 AGAR.

Agar Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	412,484	466,245	Agrees to 2019 carry forward
2	Precept or Rates and Levies	622,205	643,778	Agrees to district council remittance advice
3	Total other receipts	382,603	701,518	Includes £430,000 PWLB loan in turn agreed to PWLB statement
4	Staff costs	311,248	332,670	Reconcilable to the payroll
5	Loan interest/capital repayments	59,753	59,753	Agrees to PWLB interim statements
6	All other Payments	580,046	916,741	Agrees to list and variance analysis
7	Balances carried forward	466,245	502,377	Casting agrees
8	Total value of cash and short term investments	484,275	492,368	Agrees to combined bank reconciliation
9	Total fixed assets plus long term investments and assets	1,562,282	1,977,504	Agrees to register – purchase of 999 lease and new vehicle – verified to completion statement and purchase invoices
10	Total borrowings	1,073,018	1,476,881	Agrees to PWLB statement

The variance analysis is required because there are variances greater than 15% and £500. This has been prepared on a summary table basis showing financial elements.

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

K. TRUSTESHIP (INTERIM AUDIT)

No trusts.

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

I confirmed with the RFO that arrangements are in place at this Council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	April 2018 Full Council	TBC
Date Inspection Notice Issued and how published	1 June	TBC
Inspection period begins	4 June	TBC
Inspection period ends	13 July	TBC
Correct length	Yes	yes
Common period included?	Yes	yes
Summary of rights document on website?	Attached to inspection announcement	Attached to inspection announcement

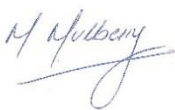
SI 2020/404 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. This SI amends the deadline by which the Annual Governance Statement and Statement of Accounts of the Annual Governance and Accountability Return (AGAR) together with any certificate or opinion issued by the local auditor must be published from 30 September 2020 to 30 November 2020. Previously there was a requirement for all smaller authorities to have a common period for the exercise of public rights, being the first 10 working days of July.

Under the new regulations there is no requirement for a common period for the exercise of public rights. Smaller authorities are still required to set a period for this purpose, but the only requirement is that the 30 working day period for the exercise of public rights should start on or before the first working day of September, i.e. on or before 1 September 2020. This SI was issued on 7 April and is effective from 30 April 2020.

I am satisfied the requirements of this control objective were met for 2017-18, and assertion 4 on the annual governance statement can therefore be signed off by the Council. Plans are also in place to allow for inspection periods to be published and set correctly for 2019-20 accounts – the Council is planning to follow dates suggested by external audit.

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

Kind regards
Yours sincerely



Mark Mulberry