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Mr A Jeffery  
Godalming Joint Burial Committee  
Municipal Buildings  
Bridge Street  
Godalming  
Surrey  
GU7 1HT

14<sup>th</sup> May 2018

Dear Andy

**Re: Godalming Joint Burial Committee (JBC)**  
**Internal Audit Year Ended 31<sup>st</sup> March 2018**

Following completion of our final internal 21<sup>st</sup> November - 16 April audit we enclose our report for your kind attention and presentation to the Council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date.

**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

It is our opinion that the systems and internal procedures at Godalming Joint Burial Committee are very well established, regulated and followed. The Committee is administered by officers of Godalming Town Council who are very experienced and ensure the Committee follows best practice regulations, and have over time adapted and changed the internal procedures as regulations and technologies have changed.

It is clear that the JBC takes 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.

**Summary Findings - Final Audit**

I completed the following work as part of the final audit.

- Review of annual accounts & annual return
- Review of bank reconciliation
- Testing of income and expenditure, second half of financial year
- Review of salaries

- Review of fixed asset register
- Review of information for external auditor.

The accounts have been correctly prepared on the income and expenditure basis using the RBS accounting package. The annual return contained the correct comparative figures and opening balances and cast correctly. The accounting entries were supported by underlying documentation and workings.

I am of the opinion that the annual accounts and annual return are ready to be signed off by the Committee and the external auditor. Accordingly, I have signed off the annual return.

I have set out the results of my testing against each of the control objectives set out in the internal audit section of the annual return below.

#### **A. Books of Account**

##### **Interim Audit**

The JBC is administered as a company on the RBS accounting system hosted at Godalming Town Council. This is an industry specific accounting package, and the separate company structure provides discrete accounting records for JBC. I have tested the brought forward balances by checking the 1 April 2017 balance sheet on RBS 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 JBC 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. JBC specific reconciliations are completed on a regular basis. My testing demonstrated that supporting records such as invoices could be readily located from references on the accounting system. I therefore make no recommendation to change this system.

The JBC is up to date with VAT returns. I confirmed that the return for period to 30 September 2017 has been submitted to HMRC, and I was able to prove that figures in the return could be agreed to reports derived directly from the RBS system.

I have confirmed that the external audit certificate was considered at the JBC meeting of 9<sup>th</sup> November. Internal Audit report was considered at the June meeting of the JBC. I note that the signed accounts have been loaded to the website of the JBC, but the link is currently broken. This should be fixed.

##### **Final Audit**

I agreed the statement of accounts back to annual return reports produced by the Council's accounting system, RBS. I therefore conclude that all figures on the annual return have been correctly derived from the Council's accounting system. Arithmetic has been checked and the accounts cast.

I checked comparative figures for the previous financial year disclosed on this year's annual return back to last year's signed accounts, and can confirm that opening reserves balances, and comparative figures are accurately recorded in this year's annual return. I also confirmed that VAT is up to date, with the return completed and submitted to HMRC for the period to 31.3.18.

I am satisfied that the JBC has met this control objective

#### **B. Financial Regulations & Payments**

I understand from discussion with officers at Godalming Town Council (TC) that the JBC follows the standing orders and financial regulations of the Town Council. However, I have not been able to locate a minute of the JBC confirming this arrangement. I recommend that standing orders and financial regulations are considered at a

future meeting of the JBC. For the purposes of this audit I have assumed that Godalming TC financial regulations are followed by the JBC.

I have also not been able to locate a constitution for the JBC. Consideration should be given to drawing up a constitution for the JBC in the next 12 months.

The JBC grants authority to spend via the annual budget process, payments are made so long as there is available budget. It is clear there are robust systems, policies and regulations in place and the JBC takes seriously its responsibility in this regard. I reviewed a sample of expenditure transactions and was able to confirm the following:

- Cashbook entry could be agreed back to an invoice from the supplier
- Approval for the payment was recorded in a minute of a meeting of the JBC
- Signature of two committee members was viewed on each invoice tested and on the relevant cheque stub.

I therefore conclude that payments are authorised in accordance with financial regulations and a dual signatory system is in place for all payments. I have one observation. I noted that VAT had not been levied on the invoice for administration charged by Godalming TC. This would appear to be a standard rate vatable supply and it is my opinion that VAT should have been added to this invoice.

#### **Final Audit**

Expenditure per box 6 to the accounts is £97,276 (2016-17 £201,854)

I tested a sample of expenditure transactions amounting to 30% of expenditure from the second half of the financial year. In all cases I was able to confirm that expenditure had been incurred in line with financial regulations.

I note that the JBC is compliant with transparency good practice. Regular information on payments above £500 is loaded to the JBC website, along with information on budgets, councillor registers of interests, and fees and charges. However, at the time of my audit, expenditure data had only been loaded to November 2017. I recommend that this information should be brought up to date.

I am satisfied that the JBC has met this control objective

#### **C. Risk Management & Insurance**

Risk management and policies are covered by Godalming TC. The JBC is insured on a standard local authority package. I have reviewed the insurance policy and can confirm the policy is in date. Asset cover appears adequate. There is however no money cover in the insurance schedule. I recommend that this is discussed with the insurer.

#### **Final Audit**

I confirmed that a detailed risk assessment was reviewed at the Committee meeting 22.3.18, and minuted appropriately. I also confirmed that the interim internal audit report was considered at meeting of JBC.

I am satisfied that the JBC has met this control objective.

#### **C. Budget, Precept & Reserves**

The 2018-19 budget for the JBC was approved at the November meeting of the Committee, subject to finalisation of council tax base by Waverley BC. A balanced budget was approved. Reserves of £140K are projected for 31.3.19, with a general fund balance of £40K. This appears an appropriate balance for the JBC, which had income of £130K in 2016-17. Earmarked reserves are significant and have been set aside to cover maintenance responsibilities. Reserves seem appropriate and well managed.

Budget monitoring reports are taken regularly to meetings of the JBC and provide comprehensive information to Committee members. I confirmed the Committee has seen budget monitoring reports for the period to 31.10.17, and this was minuted at the November meeting.

#### **Final Audit**

I confirmed that budget monitoring reports continue to be reviewed at meeting of the JBC, the last minuted review being completed in February 28<sup>th</sup>, with the outturn report being prepared for the next meeting of the Committee.

Reserves at year end per box 7 to the accounts were £164,638 (2016-17 £131,752). Earmarked reserves were £105K leaving general reserves of £59K. The JBC has general reserves which are around 50% of 2017-18 turnover, and very well managed earmarked reserves. The financial position of the JBC is therefore sound.

I consider this control objective to have been met.

#### **D. Income**

Fees and charges are reviewed annually by the JBC. They were last reviewed at the meeting of 10 November 2016, and are due to reviewed before the end of the financial year. I tested a sample of income transactions and for all transactions tested I was able to confirm that:

- Entry in cashbook could be agreed to JBC invoice
- Fee charged could be agreed to fees and charges schedule.

#### **Final Audit**

Local taxation income box 2 to the accounts is £64,572 (2016-17 £64,504)

Other receipts box 3 to the accounts is £66,544 ( 2016-17 £79,530)

I tested 2 further transactions from the second half of the financial year

- £30,848 precept from Godalming TC - agreed to invoice and to 3<sup>rd</sup> party approval in Godalming TC minutes
- A Burial income transactions – agreed to invoice and from there back to approved fees and charges

I have identified no errors in my testing of income recorded in box 2 and 3 to the accounts.

#### **F. Petty cash**

No petty cash

#### **G. Payroll**

Staff costs per box 4 to the accounts is £954 ( 2016-17 £441) This relates to grave digging costs – I have not tested this due to the low value.

#### **H. Assets and investments**

##### **Interim Audit**

The asset registers appeared up to date and properly maintained. Detailed testing of fixed assets will be carried out at year end.

##### **Final Audit**

Fixed Assets per the box 9 to the accounts are £933,506 (2016-17 £935,961)

I was able to agree the balance in the accounts back to the fixed asset register and confirmed that the assets continue to be shown at a proxy cost value, as in 2016-17. I note that insurance values are maintained in addition to book value, this is good practice.

I discussed a long standing imbalance of £2K between the statement of accounts figure for fixed assets and the JBC asset register. I have discussed this with the RFO and agreed that this balance should be written off the asset register. This was done prior to financial year end. It is not material, and given that the asset register is a record of historic costs, there is no cash affect. The asset register and the statement of accounts now reconcile.

I confirmed by review and enquiry that no fixed asset disposals have occurred in 2017-18 or that any are necessary. I have identified no errors in my testing of fixed assets recorded in box 9 to the accounts

#### **I. Bank reconciliations**

The JBC has two bank accounts. The bank reconciliations for both accounts are properly prepared and presented to committee for verification and approval on a regular basis. I confirmed that reconciliations are completed promptly at the end of each month. The September 2017 reconciliation was re-performed. There were no errors, and I confirmed that the reconciliation and bank statements had been signed by the reviewing member of the committee. The system of reconciliation is working correctly.

#### **Final Audit**

Cash and bank – box 8 to the accounts £158,503 (£124,876 2016-17) I have re-performed the year end bank reconciliation and I was able to agree the bank reconciliation back to bank statements and the RBS cashbook. The reconciliation had not been reviewed by Councillors at the time of my audit, but was due to presented at the next meeting.

The JBC has no loans.

Boxes 8 to the accounts is fairly stated

#### **J. Year-end accounts**

The accounts have been prepared on the income and expenditure basis. This is appropriate for this organisations, where expenditure occasionally exceeds the £200K threshold where accruals accounting becomes obligatory.

A reconciliation between box 7 to 8 in the accounts has been prepared and is supported by schedules of debtors and creditors. I have discussed arrangements for inspection of the accounts with the RFO.

I am satisfied this control objective has been met.

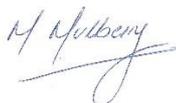
#### **K. Trusteeship**

Not applicable

Should you have any queries please do not hesitate to contact me, finally I enclose a fee note for your kind attention.

Kind regards

Yours sincerely



**Mark Mulberry**