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Our Ref: MARK/GOD003

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

22nd September 2020

Dear Andy

Re: Godalming Joint Burial Committee
Internal Audit Year Ended 31st March 2020

Executive Summary

Following completion of our interim internal audit on the 22nd September 2020 we enclose our report for your kind attention and presentation to the Committee. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date. Where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

It should be noted that the JBC policies and procedures mirror that of Godalming Town Council which have been audited and reported on under separate cover.

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

- Review of the accounting system & financial reporting package
- Review of the Financial Regulations & Standing Orders
- Review of the Risk Assessments & Insurance
- Review of the Budgeting Process
- Review of Salaries
- Review of fixed asset register
- Review of annual charges

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

It is clear the committee/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. The existence of an audit committee within the council with its own detailed scope of works, testing & reporting regimen is very much best practice and is to be applauded. I would recommend the continuance of this into the future.

I would like to thank Rita for her assistance and whilst my report contains recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well ordered system.

It is therefore our opinion that the systems and internal procedures are well established, and followed.

Regulation

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. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit’s function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.

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.

Independence & Competence

Your audit was conducted by Mark Mulberry of Mulberry & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor is a qualified practicing accountant with over 20 years’ experience as a registered statutory auditor.

Engagement Letter

An engagement letter was issued on the 1st September 2020 covering the 2020/21 internal audit assignment. Copies of this document are available on request.

Planning & Inherent Risk Assessment

The scope and plan of works including fee structure was issued to the council on the 1st September 2020 under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR.

- There have been no instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover
- The client has an audit committee with detailed terms of reference and work programme

It is my opinion that the inherent risk of error or misstatement is low and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be “walk through testing” on sample data to encompass the period of the council year under review.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

Internal audit requirement

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

The JBC is administered as a company on the RBS accounting system hosted at Godalming Town Council. The Committee 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 Committee.

There are a number of access users. The system is cloud based and access is 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 supervisor – read write to bookings
- Support services – read write to bookings.

The system encompasses, sales ledger, purchase ledger and cashbook. It provides for reconciliation of key control accounts and regular reporting against budget.

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 RFO makes use of a control sheet to tick off the various reconciliations and financial activities that must be completed to finalise a month end. I have reviewed the June, July & August months and can confirm the tick sheet is completed and the various reconciliations are in evidence. This is a robust, clear to follow system of internal control and demonstrates good working practices.

I also reviewed the bank reconciliation file and can confirm for May, June and July there was evidence of the RFO preparing and signing off the bank reconciliations. This demonstrates internal controls are in evidence and being followed.

The cashbooks are routinely printed and are also retrospectively accessible. The system requires the population of key data fields to enable the user to record a transaction with sufficient detail to understand the nature and scope of the 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 payments to underlying documentation chosen at random from month two & three showed that the referencing system can be relied upon, and that the source documents could be easily located in the council records. I make no recommendation to change in this system.

I tested opening balances as at 1/4/20 and confirmed they could be agreed back to the audited accounts for 2019/20.

The JBC is VAT registered and the last VAT return was for quarter ended 30th June 2020. This was submitted using the software package under the making tax digital rules and was submitted on time ahead of the deadline. The

return was a refund return and I proved the amount shown on the return to the HMRC system. 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. **The refund of £9,090.49 for the quarter ended 30th June has not been received – this will need to be followed up by the RFO in due course.**

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)

Internal audit requirement

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

I confirmed from discussion with officers at Godalming Town Council (TC) that the JBC follows the standing orders and financial regulations of the Town Council.

The Council internal audit report shows that regulations are routinely followed and that they are fit for a council of that size. As such they are entirely suitable for the JBC.

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
- Signature of 2 councillors seen on cheque stub

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.

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

Internal audit requirement

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

The Council undertakes a full risk assessment that covers operational and financial risks, this is taken to council on an annual basis. Evidence was noted in the September Audit Committee meeting of review and adoption of the risk management policy and documentation. These are very comprehensive and detailed documents.

We discussed assertion 8 of the AGAR and whether or not this had any impact on the council. All appropriate transactions and events have been recorded.

“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)

Internal audit requirement

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

I confirmed that the 2021-22 Budget and precept setting process was underway at the time of the audit.

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 2020 and was able to confirm that the budget is well managed and reported on. 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.

E. INCOME (INTERIM & FINAL AUDIT)

Internal audit requirement

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

I was able to agree charging rates back to approved fees and charges dated 1st January 2020.

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)

Internal audit requirement

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

N/A – no petty cash

G. PAYROLL (INTERIM & FINAL AUDIT)

Internal audit requirement

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

There are no payroll costs. Administrative costs are paid to Godalming Town Council.

H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)

Internal audit requirement

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

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.

I. BANK & CASH (INTERIM & FINAL AUDIT)

Internal audit requirement

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

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.

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

J. YEAR END ACCOUNTS (FINAL AUDIT)

Internal audit requirement

Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

The 2020 year-end accounts were correctly prepared on the income & expenditure basis with the box 7 & 8 reconciliation properly completed.

The AGAR correctly cast and cross cast and the comparatives had been correctly copied over from the 2018-19 AGAR.

Agar Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	164,638	182,475	Agrees to 2019 carry forward
2	Precept or Rates and Levies	64,572	58,115	Agrees to invoices and receipts
3	Total other receipts	86,433	72,413	Non typical burial in 2019 for £9k – & fewer burials
4	Staff costs	73	-	Agreed – no payroll
5	Loan interest/capital repayments	-	-	Agreed no loans
6	All other Payments	133,095	115,728	As above non typical burial in 2019
7	Balances carried forward	182,475	197,275	Casts correctly
8	Total value of cash and short term investments	178,067	195,647	Agrees to bank reconciliation

9	Total fixed assets plus long term investments and assets	933,506	933,506	No change year on year – agrees to register
10	Total borrowings	-	-	Agreed no loans

The JBC had made provision within its schedule of meetings to sign off the annual governance statement.

I am of the opinion 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. LIMITED ASSURANCE REVIEW (FINAL AUDIT)

Internal audit requirement

IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick “not covered”)

Not applicable

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

Internal audit requirement

The authority has demonstrated that during summer 2020 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

N/A

M. TRUSTEESHIP (INTERIM AUDIT)

Internal audit requirement

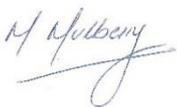
Trust funds (including charitable) – The council met its responsibilities as a trustee.

No trusts.

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

Kind regards

Yours sincerely



Mark Mulberry