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Our Ref: MARK/GOD001

Ms R Tong  
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Godalming  
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7<sup>th</sup> September 2021

Dear Rita

**Re: Godalming Town Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2022**

### Executive Summary

Following completion of our interim internal audit on the 7<sup>th</sup> September 2021 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. **Testing requirements are shown in Red** and where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified, followed by recommended minimum testing requirements. Each section is then concluded with an opinion as to whether the assertion has been met or not.

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 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 with its own detailed scope of works, testing & reporting regimen is very much best practice. 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 at Godalming Town Council 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 In August 2021 covering the 2021/22 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.

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## A. BOOKS OF ACCOUNT (INTERIM AUDIT)

### **Internal audit requirement**

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

#### **Recommended Minimum Testing**

- Ensure the correct roll forward of the prior year cashbook balances to the new financial year
- Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained

The Council continues to use RBS 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 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 in soft copy and filed in logical order on the “W” drive, these include but are not limited to; income and expenditure against budget, bank reconciliations and other reports as fit. The W drive is backed up daily.

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 April, May & June 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 June, July & August there was evidence of the RFO preparing and signing off the bank reconciliations, together with counter signatures for council approval. This demonstrates internal controls are in evidence and being followed.

The cashbooks are routinely saved and are also retrospectively accessible via the RBS package. 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 five 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 1/4/21 and confirmed they could be agreed back to the audited accounts for 2020/21.

The Council is VAT registered and the last VAT return was for quarter ended 30<sup>th</sup> June 2021. 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 and to the physical bank statements. 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.

**Section Conclusion**

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.*

#### **Recommended Minimum Testing**

- Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version.
- Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents)
- Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation
- Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments
- Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements
- Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place

### **Interim Audit**

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

The external auditors report was not qualified in 2020/21, although the external auditor made a comment regarding the order of approval.

The notice of conclusion of audit is dated 18/08/21 and is posted to the council website in accordance with regulations.

Both the auditor's report and the notice will be reported to the audit committee in September 2021. This will be ratified by full council on the 23<sup>rd</sup> September 2021.

*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" and "Acceptance to receive information by Electronic Means", all in line with regulations.

Each councillor is listed on the website, has a mini biography and link to their register of interests. I reviewed the website with the RFO and it was verbally confirmed all councillors were up to date. The register of interests was dated 2019.

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

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 and properly following this.

A review of the website indicates that in general information is clear, easily accessible and readable. The council is aware of the accessibility regulations which come into effect in September 2020 – some areas were updated, however the council is in the process of changing its website provider to be fully compliant.

*Confirm that the Council is compliant with the GDPR.*

The 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.*

I reviewed the agendas for meetings held in June, July & August and can confirm that at least 3 clear days' notice is given.

*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 adopted by full council the May 2021 meeting.

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

Financial regulations are based on the NALC model. Financial Regulation will be reviewed by the Audit Committee in September 2021 and will be taken to Full Council on September 2021 (There is to be discussion about the order thresholds). 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 2.2 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 3 deals with Annual estimates (Budget) and Forward planning. Budget monitoring reports are presented to the Policy and Management Committee at each meeting. The reports are logically presented with both summary and detailed narrative. I reviewed the June report and minutes and can confirm that councillors are well informed and this is minuted.

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 processes 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 is up to date.

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. There is no doubt payments are properly reported to council, approved and the physical payment authorised.

The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is as listed below.

- £25,000 + Tender Process
- £5,000 - £25,000 3 quotations are required.
- £1,000 - £5,000 – strive to get 2 estimates – council considering removing this category
- 0 - £1,000 – power to spend – council considering change to £5,000 (2021/22)

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.
1. 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.
2. The order is made via the office – councillors are not allowed or permitted to place amend or vary orders.
3. 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.
4. The authorised invoices are then returned to the RFO and are input into the financial reporting package.
5. On a weekly basis a payments list is prepared by the RFO and councillors are invited to approve the payment sheet and approve the invoices via email. The RFO sets the payments up on the on-line banking screens and prints this out in hard copy and the clerk verifies the list to the bank print. The clerk then authorises the physical payment on the bank system. Dual access is not required to access bank. The RFO accesses bank account and inputs payment and Town Clerk reviews input against schedule and signs that it is correct.
6. The payments list is taken to committee for approval in accordance with regulations.

In conducting our walk through testing we identified that the correct VAT is recorded on the system and could be agreed to physical invoices and the VAT return, which in turn was proved to the physical refund and HMRC website. We also agreed to documentary evidence and supplier invoices payments made by bacs and DD – there were no errors.

In reviewing the minutes of JBC and JTC we agreed with the clerk and the RFO that where there are instances of council reviewing and accepting quotes and or tenders for work, **there should be processes in place to ensure the**

minutes show where applicable a “resolution to accept or approve” so it is clear beyond reasonable doubt that council is making the necessary decisions based on the evidence presented.

*Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.41 (2021: £8.32 per elector.)*

The council has no S.137 expenditure because they have GPC. This was approved in May 2019 at the annual meeting. I have verified this to the minutes.

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

The client has an internal audit committee, with a detail remit and schedule of works. In July 2021 a body of review work was presented and documented. No errors or omissions were noted. I am under no doubt the council has robust internal controls in place.

#### **Section Conclusion**

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 AUDIT)

### **Internal audit requirement**

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

#### **Recommended Minimum Testing**

- Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc
- Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security
- Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation

### **Interim Audit**

As part of the audit committee remit of works the Council undertakes risk assessments that cover a number of categories. Evidence was noted in the September 2020 Audit Committee meeting of review and adoption of the risk management policy and documentation. These are very comprehensive and detailed documents.

Godalming TC is insured with Zurich on a 3 year deal. Asset cover seems consistent with the asset register, and money cover is adequate for a council of this size. The certificate is in date.

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."*

### **Section Conclusion**

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.*

#### **Recommended Minimum Testing**

- Ensure that the full Authority, not a Committee, has considered, approved and adopted the annual precept in accordance with the required parent Authority timetable
- Ensure that budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances
- Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances
- Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process
- Ensure that the precept in the accounts matches the submission form to the relevant authority and the public record of precepted amounts

### **Interim Audit**

Full council approved the 2021/22 precept at its 17<sup>th</sup> December 2020 meeting which is within the timescales set within the financial regulations and submitted its application on time to the precepting authority.

I confirmed that the 2022/23 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 2021 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. It is forecasted that at the end of the council year general reserves could be at £217k and Earmarked £230. The RFO is aware that by the end of the council year the general reserve will be below the 50% of precept rule of thumb. This has been discussed with council so that a strategy can be put in place to bring the reserves level up over time. I am of the opinion that reserves are very low for a council of this size.

I discussed the earmarked reserves with the RFO and RFO was able to provide explanations and reasons for all reserves. I am of the opinion these are bonafide reserves.

### **Section Conclusion**

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.*

#### **Recommended Minimum Testing**

- Review "Aged debtor" listings to ensure appropriate follow up action is in place
- Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.
- Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates)
- Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised
- Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time
- Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income
- Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked

### **Interim Audit**

The Council uses the RBS booking module to invoice and record the collection of income for hires. I was able to agree charging rates back to the approved fees and charges list.

Council approved its fees and charges in April 2021.

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

VAT has been properly charged at the prevailing rate.

I was able to verify income per the bank statements to the underlying records.

### **Section Conclusion**

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.*

**Recommended Minimum Testing**

- A number of Authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a "Not applicable" response is frequently required in this area.
- Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc)
- Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held
- Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held
- Ensure that VAT is identified wherever incurred and appropriate
- Physically check the petty cash and other cash floats held
- Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till "Z" total readings

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 signed off by the RFO and another officer.

The council is considering dispensing with petty cash in favour of expenses reimbursement and corporate credit card.

**Section Conclusion**

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)

### **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.*

#### **Recommended Minimum Testing**

- Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract
- Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability
- Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours
- Ensure that appropriate tax codes are being applied to each employee
- Where free or paid for software is used, ensure that it is up to date.
- For the test sample of employees, ensure that tax is calculated appropriately
- Check the correct treatment of Pension contributions to either the Local Government pension scheme ( non - taxable, deducted from the gross salary or DC schemes like NEST which already allow for tax deductions
- For NI, ensure that the correct deduction and employer's contributions are applied: NB. The employers allowance is not available to councils but may be used by other authorities
- Ensure that the correct employers' pension percentage contribution is being applied
- Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies

The 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 electronically 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 and pay scales for a full time & part 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.

Pay increases are based on an annual appraisal and a fixed % e.g. an annual cost of living increase or an incremental scale increase, where applicable

#### **Section Conclusion**

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)

### **Internal audit requirement**

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

#### **Recommended Minimum Testing**

##### Tangible Fixed Assets

- Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets
- Physically verifying the existence and condition of high value, high risk assets may be appropriate
- Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement
- Additions and disposals records should allow tracking from the prior year to the current
- Ensure that the asset value to be reported in the AGAR at Section 2, Box 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and /or disposals
- Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or "self-insured" by the Authority

##### Fixed asset investments

- Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the "Investment Strategy" and reported as Assets in the AGAR at Section 2, Box 9.

##### Borrowing and Lending

- Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired
- Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt
- Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at Section 2 Box 5
- Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the AGAR at Section 2, Box 10 (value should be verified via the DMO website)
- Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt

### **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 was able to verify to the supplier invoice and council approval the addition of a water bowser.

The loan interest and capital repayments were agreed to PWLB debt management letters. 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.

### **Section Conclusion**

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.*

#### **Recommended Minimum Testing**

- Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members
- Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, Section 2, Box 8.
- Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.

### **Interim Audit**

At the interim audit 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 also tested the cut off and can confirm the payments and lodgements are shown in the correct year.

### **Section Conclusion**

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 (INTERIM & 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.

#### **Recommended Minimum Testing**

- Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein
- Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end

The council, at its meeting to sign off the year-end accounts, must discuss the Annual Governance Statement and record this activity in the minutes of the meeting. Based on the internal audit finding, I recommend using the table below as the basis for that discussion. THIS MUST BE A SEPARATE AGENDA ITEM TO THE SIGNING OF THE ANNUAL ACCOUNTS.

### **Section 1 – Annual Governance Statement**

	<b>Annual Governance Statement</b>	<i>'Yes' means that this authority</i>	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	<b>YES</b> – income & expenditure accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	<b>YES</b> – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	<b>YES</b> – the Clerk is experienced and advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	<b>YES</b> – the requirements and timescales for 2020/21 year-end were followed.

5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	<b>YES</b> – the council has a risk management scheme and appropriate external insurance.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	<b>YES</b> – the council has appointed an independent and competent internal auditor has completed two audits during the year.
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	<b>YES</b> – where matters are raised, action taken by council is recorded in the minutes.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements.	<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	<b>YES</b> – no matters were raised during the internal audit visits.
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	<b>N/A</b> – the council has no trusts.

## Section 2 – Accounting Statements

Agar Box Number		2019/20	2020/21	Auditor Notes
1	Balances brought forward	466,245	502,377	Agrees to prior year cfwd
2	Precept or Rates and Levies	643,778	711,154	Agrees to third party evidence provided to auditor
3	Total other receipts	701,518	263,113	Agrees to underlying records
4	Staff costs	332,670	385,471	Agrees to underlying records
5	Loan interest/capital repayments	59,753	77,703	Agreed no loans
6	All other Payments	916,741	493,969	Agrees to underlying records
7	Balances carried forward	502,377	519,501	Cast correctly agrees

8	Total value of cash and short term investments	492,368	507,787	Agrees to reconciliation
9	Total fixed assets plus long term investments and assets	1,977,504	1,977,504	Agrees to register
10	Total borrowings	1,476,881	1,446,469	Agrees to PWLB statement

11	For Local Councils Only) Disclosure note re Trust funds (including charitable)	YES	NO	No trusts
			✓	

The 2021 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 prior years

The variance analysis is required because there were variances greater than 15% and £200. This was properly prepared on a summary table basis showing the financial elements and explanatory narrative.

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

### Section Conclusion

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 (INTERIM & FINAL AUDIT)****Internal audit requirement**

*IF the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick “not covered”)*

Not applicable

**L: TRANSPARENCY (INTERIM & FINAL AUDIT)****Internal audit requirement**

*If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/ webpage up to date.*

Not applicable

**M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS****Internal audit requirement**

*The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).*

**Recommended Minimum Testing**

- IAs should acquire / examine a copy of the required “Public Notice” ensuring that it clearly identifies the statutory 30 working day period when the Authority’s records are available for public inspection.
- IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require that the statement of accounts prepared by the authority (i.e. the Annual Governance & Accountability Return (AGAR) Part 2), the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records must be made available for inspection by any person interested, during a period of 30 working days set by the smaller authority and including the first 10 working days of July.

<b>Inspection - Key date</b>	<b>2020/21 Actual</b>	
<b>Accounts approved at full council</b>	22 <sup>nd</sup> April 2021	
<b>Date Inspection Notice Issued and how published</b>	11 <sup>th</sup> June 2021	
<b>Inspection period begins</b>	14 <sup>th</sup> June 2021	
<b>Inspection period ends</b>	23 <sup>rd</sup> July 2021	
<b>Correct length</b>	yes	
<b>Common period included?</b>	yes	
<b>Summary of rights document on website?</b>	<b>Attached to inspection announcement</b>	

**Section Conclusion**

I am of the opinion that the control assertion of *“The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set):”* has been met.

#### N. PUBLICATION REQUIREMENTS (INTERIM & FINAL AUDIT)

##### **Internal audit requirement**

*The authority has complied with the publication requirements for 2020/21 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:*

##### **Recommended Minimum Testing**

- IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.
- IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

*Before 1 July 2021 authorities must publish:*

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited;
- Section 1 - Annual Governance Statement 2020/21, approved and signed, page 4
- Section 2 - Accounting Statements 2020/21, approved and signed, page 5

*Not later than 30 September 2021 authorities must publish:*

- Notice of conclusion of audit
- Section 3 - External Auditor Report and Certificate
- Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.

*It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.*

I have reviewed the website and can confirm that the council has followed the regulations

##### **Section Conclusion**

I am of the opinion that the control assertion of "The authority has complied with the publication requirements for 2019/20 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:" has been met.

#### O. 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.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Mulberry', with a long horizontal flourish extending from the end of the signature.

**Mark Mulberry**

**Interim Audit - Points Forward**

Audit Point	Audit Findings	Council comments
Quotes and Estimates	In reviewing the minutes of JBC and JTC we agreed with the clerk and the RFO that where there are instances of council reviewing and accepting quotes and or tenders for work, there should be processes in place to ensure the minutes show where applicable a “resolution to accept or approve” so it is clear beyond reasonable doubt that council is making the necessary decisions based on the evidence presented.	