



## MULBERRY & CO

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Our Ref: MARK/FIS002

Mr T Thorpe  
Rotherfield Parish Council  
82 Fermor Way  
Crowborough  
East Sussex  
TN6 3BJ

Date 1 June 2020

Dear Trevor

**Re: Rotherfield Parish Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2020**

Following completion of our interim internal audit on the 14<sup>th</sup> October 2019 and final audit on 1<sup>st</sup> June 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 and summarised at the end of the report, along with updates on progress from the recommendations from the interim visit.**

Due to the COVID-19 restrictions in place at the time of the final audit, this was carried out remotely, and I would like to thank Trevor for ensuring all of the requested information was sent through in a timely fashion to allow this process to be completed.

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 and 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 Rotherfield Parish Council are well established and followed. The Clerk is very experienced and ensures the council follows best practice regulations and has overseen changes to the internal procedures as regulations and technologies have changed to maintain compliance.

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 Trevor for his 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 and AGAR
- Review of bank reconciliation
- Review of income
- 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 transactions of the council for the year ended 31<sup>st</sup> March 2020.

Accordingly, I have signed off the AGAR.

## **A. BOOKS OF ACCOUNT (INTERIM AUDIT)**

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

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

The council continues to use the RBS system as a day to day accounting package, this is a tried and tested industry specific package. The system is used regularly to report on and record the financial transactions of the council. There is a single user (the Clerk/RFO) with their own individual logon. This is a small council and as such no scope for segregation of duties, all financial elements are undertaken by the Clerk.

On a monthly basis, a pack of financial papers is produced and signed by the Chair/Vice-Chair. This contains monthly bank reconciliation reports, bank statements, budget reports, invoices, salary reports and lists of payments, receipts and journal entries for the month.

The council is not VAT registered. The last VAT reclaim was for the period to the end of September 2019 which showed a refund position. This demonstrates that the council is up to date with its postings.

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 AND PAYMENTS (INTERIM AND 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.*

### **Interim Audit**

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

The external auditors report was not qualified in 2018/19. This is scheduled to be reported to council at the next meeting. 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 have also signed acceptance to receive information by electronic means.

#### ***Confirm that the council is compliant with the relevant transparency code***

I note that the council is required by law to follow the 2015 Local Government Transparency Code. A review of the web site shows that details of payments are published as part of the council minutes. However, there was no evidence of other required information being published. **I recommend the council review the information held on the Crowborough Town Council website to see the level of detail required to be published to comply with the Transparency Code.**

#### ***Confirm that the council is compliant with the GDPR***

The council is aware of GDPR and has undergone training. The council has published a statement on its website regarding GDPR Regulations and adopted a Data Protection Policy in January 2019 detailing how it stores and uses information. It was

noted the council has common email addresses internally and for councillors, which is recommended because it gives a natural segregation between personal and councillor business, 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. The council has appointed an external Data Protection Officer (DPO).

*Confirm that the council meets regularly throughout the year*

The council has the following committees:

- Full Council - meets monthly
- Highways, Lighting and Transport Committee – meets every other month
- Recreation and Burial Committee – meets every other month
- Planning and Building Committee – meets every three weeks
- Finance and General Purposes Committee – meets twice per year

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

The Clerk was able to demonstrate that at least 3 clear days' notice is given on both web site and hard copy agendas. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting. It was noted that the supporting documentation referred to in the agendas was not posted to the website. **I remind council it is required to also post any supporting documentation with the agendas as outlined by the Information Commissioner's Office** (page 3 of this link) [ico.org.uk/minutesandagendas.pdf](https://ico.org.uk/minutesandagendas.pdf)

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

The council publishes draft minutes of meetings on the council website, which are clearly annotated as such. These are subsequently replaced by final versions after approval at the next meeting.

*Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months*

The council's Standing Orders are dated 27<sup>th</sup> November 2014 and are based on an old NALC model version. Given that there have been a number of regulatory and statutory changes to the model version since 2014, **I recommend the Standing Orders are urgently updated to the most recent model version (2018)**, a copy of which is available on the SSALC website.

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

The council's Financial Regulations are based on an older version of the NALC model regulations and are dated 27<sup>th</sup> November 2014. 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. The latest model version (July 2019) is available on the SSALC website, and **I recommend the Financial Regulations are updated to align to the most recent (2019) model version.**

*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. A review of the Council minutes confirms that the Chair and Vice-Chair have reviewed and signed the documents, in accordance with FR 2.2.

Financial regulation 4 deals with budgetary control and authority to spend. The council has thresholds in place at which authorisations to spend must be obtained.

- The Council for all items over £5,000
- A duly delegated committee of the council for items of £5,000 or below
- The Clerk, in conjunction with Chair (or Vice-Chair) of council or Chair (or Vice-Chair) of the appropriate committee, for any items of £1,000 or below

Financial Regulation 5 deals with authorisation of payments. From sample checking of invoices from July 2019, minutes show authorisation of payments lists in accordance with regulations and invoices are signed by a councillor.

Financial regulation 6 deals with making payments. The council makes payments predominately online with occasional cheque and direct debit payments. The on-line banking system has a natural segregation of duties between the originator and authoriser of transactions. Cheques must be signed by two individuals.

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 and does not exceed the annual per elector limit of £8.12 per elector*

The Council has the General Power of Competence (GPC) and does not use section 137 powers. The GPC was adopted and recorded in the minutes of the Annual Council meeting in May 2019.

*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.

#### **Final Audit**

A review of the website shows that supporting documentation for meetings is now routinely published alongside agendas.

It was noted that following the recommendations made at the interim audit, the council has updated and adopted current versions of both Standing Orders and Financial Regulations. These were approved by council at its meeting in October 2020.

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 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 AND INSURANCE (INTERIM AND FINAL AUDIT)**

#### **Internal audit requirement**

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

#### **Interim Audit**

The council has a risk management policy which and is subject to annual review by the Finance and General Purposes Committee. This was last completed in July 2019 and details controls in place to mitigate risk in a number of areas, including financial risk.

I have confirmed that the council has a valid insurance certificate. The council reviews its insurance requirements as part of the renewal process. Employers' liability and Public liability are held at £10 million each. The council's Fidelity Guarantee level is currently set at £150,000 and after discussion with the Clerk **it is recommended that the Fidelity Guarantee level is increased to cover the highest level of balances held during the year.**

#### **Final Audit**

It was noted that following the recommendation in the interim audit report, the council increased its level of Fidelity Guarantee cover to £250,000.

We discussed assertion 8 on 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."*

The Clerk confirmed that he was not aware of any event having a financial impact that was not included 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 AND RESERVES (INTERIM AND 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.*

### **Interim Audit**

I confirmed that the 2020-21 budget and precept setting process is due to be completed by December, with the Finance and General Purposes Committee agreeing a recommendation to council for the budget and precept figures.

It was noted that currently no three-year forecast is shown. **I would recommend that council add its 3-year forecast in accordance with Financial Regulation 3.1 and this is aligned to the council's business plan.**

### **Final Audit**

At year-end, the council held circa £77,000 in a number of clearly defined earmarked reserves for various projects. A further circa £81,000 is held in general reserve. General guidance recommends an appropriate level of general reserve as 50% of precept, adjusted for local conditions.

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 AND 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.*

### **Interim Audit**

Other than the precept, the council has the following streams of income:

- VAT refunds
- Burial income
- Grants
- Bank interest

I checked receipt of the precept and Council Tax Support Grant (CTSG), and these have been correctly recorded.

### **Final Audit**

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.*

The council has no petty cash.

## **G. PAYROLL (INTERIM AND 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.*

### **Interim Audit**

The council has one employee and calculates the payroll using the HMRC PAYE tool. The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS.

Monthly PAYE and NI deductions and returns have been submitted online, on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review. The tax deduction at month 5 was tested – there were no errors.

All council employees are paid through the payroll for all council work undertaken. No employees are paid separately for any other council work undertaken. Councillors are not paid allowances.

#### **Final Audit**

The amounts on the AGAR were reconcilable to the accounting records for payroll.

I am of the opinion that salaries are correctly stated on the AGAR and that the control objective 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 AND FINAL AUDIT)**

#### **Internal audit requirement**

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

#### **Interim Audit**

The council has a fixed asset register in place. Assets appear correctly stated at historic or proxy cost. The document is robust enough to be used as a working document as it contains information about insurance value, location and maintenance. The total asset value on the register matches the figure entered on the AGAR.

#### **Final Audit**

The asset register has been updated with acquisitions and disposals during the year. The total was checked and found to match that entered on the AGAR for 2019-20.

Loan interest and capital repayments were agreed to PWLB debt management letters and the outstanding balance was verified to the PWLB year-end balance.

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 AND CASH (INTERIM AND FINAL AUDIT)**

#### **Internal audit requirement**

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

#### **Interim Audit**

At the interim audit date, the council had a reconciled bank position as at the end of September 2019. I have reviewed the reconciliation and there were no errors.

#### **Final Audit**

At the year-end audit date, the council had a reconciled bank position across its accounts. There were outstanding payments totalling £543.80 as at 31 March 2020. Year-end balances were verified against bank statements as at 31 March 2020.

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 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.

### Section 1 – Annual Governance Statement

	Annual Governance Statement	<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> –accounts follow latest Accounts and Audit Regulations and 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 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 2018/19 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.
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.
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## Section 2 – Accounting Statements

At the time of the year-end audit, the AGAR figures presented for checking were as below:

AGAR Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	103,351	152,168	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	119,530	119,813	Confirmed against precept amount received
3	Total other receipts	562,341	85,323	Confirmed against accounting records
4	Staff costs	25,247	30,852	Confirmed against accounting records
5	Loan interest/capital repayments	0	19,422	Confirmed against PWLB statement
6	All other payments	607,807	148,224	Confirmed against accounting records
7	Balances carried forward	152,168	158,806	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	152,168	158,806	No difference to box 7 as receipts and payments
9	Total fixed assets plus long term investments and assets	713,444	722,209	Confirmed against asset register
10	Total borrowings	470,000	463,113	Confirmed against PWLB statement
11	Disclosure note re Trust Funds (including charitable)	<b>YES</b>	<b>NO</b> √	Council has no trusts

The year-end accounts have been correctly prepared on the receipts and payments basis with no need for the box 7 & 8 reconciliation.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the previous year's AGAR.

The explanation of variances has been completed with sufficient detail and explanations provided for variances in excess of 15%.

### K. LIMITED ASSURANCE REVIEW (FINAL AUDIT)

#### Internal audit requirement

*If the authority certified itself as exempt from a limited assurance review in the previous year, it met the exemption criteria and correctly declared itself exempt.*

Not applicable as the council did not certify itself exempt from a limited assurance review in 2018/19.



**L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS (FINAL AUDIT)****Internal audit requirement**

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

Due to the Covid 19 outbreak, the statutory deadlines have been changed as follows:

The publication date for final, audited, accounts will move from the 30 September to 30 November 2020 for all local authority bodies. To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of July has been removed. Instead, local authorities must commence the public inspection period on or before the first working day of September 2020.

This means that draft accounts must be approved by 31 August 2020 at the latest. However, they may be approved earlier, and we would encourage councils to do so wherever possible, to help manage overall pressure on audit firms towards the end of the year.

Authorities must publish the dates of their public inspection period, and given the removal of the common inspection period and extension of the overall deadlines for this year, it is recommended that all authorities provide public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2019/20 accounts.

The regulations implementing these measures were laid on 7 April and came into force on 30 April 2020.

The relevant dates as set by Rotherfield Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Date Inspection Notice Issued	28 June 2019	29 May 2020
Inspection period begins	1 July 2019	15 June 2020
Inspection period ends	9 August 2019	24 July 2020
Correct length	Yes	Yes
Common period included?	Yes	N/A
Summary of rights document on website?	Yes	Yes

I am satisfied the requirements of this control objective were met for 2018-19, and assertion 4 on the annual governance statement can therefore be signed off by the council. The Clerk is aware of the amended dates for 2019/20 due to the Covid-19 outbreak and has plans in place to meet the deadlines.

**M. TRUSTEESHIP (INTERIM AUDIT)****Internal audit requirement**

*Trust funds (including charitable) – the council has met its responsibilities as a trustee.*

The council has no trusts.

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

Kind regards

Yours sincerely

A Beams

Andy Beams

Interim Audit – Recommendations

<u>Audit point</u>	<u>Recommendation</u>	<u>Council comments</u>
<b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS - Agendas</b>	I remind council it is required to also post any supporting documentation with the agendas as outlined by the Information Commissioner's Office.	Supporting documentation now published on website with agendas
<b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS – Standing Orders</b>	I recommend the Standing Orders are urgently updated to the most recent model version (2018).	Updated version adopted by Council October 2020
<b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS – Financial Regulations</b>	I recommend the Financial Regulations are updated to align to the most recent (2019) model version.	Updated version adopted by Council October 2020
<b>RISK MANAGEMENT AND INSURANCE</b>	It is recommended that the Fidelity Guarantee level is increased to cover the highest level of balances held during the year.	Level of cover was increased to £250,000 in October 2019.