



## MULBERRY & CO

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Our Ref: MARK/CAP002

Mrs J Russell  
Capel Parish Council  
55a The Street  
Capel  
Surrey  
RH5 5LD

Date 26 May 2020

Dear Jan

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

Following completion of our interim internal audit on the 6<sup>th</sup> December 2019 and final audit on 26<sup>th</sup> May 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 Jan 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 Capel Parish Council are well established and followed. The Clerk is 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 Jan for her 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 a manual handwritten cashbook system for the recording of financial transactions. The cashbook contains columns for the analysis of the transactions and the row data shows the date, reference number supplier and detail of the transaction, together with financial elements. A review of the cashbook shows all data fields are being populated and a reader can gain an understanding of the nature and scope of the transactions. For a council of this size, this continues to be an appropriate method.

The council is not VAT registered. VAT reclaims are completed on an annual basis as amounts are relatively inconsequential to the council.

My audit testing showed that financial documentation could be easily located from records and 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 qualified in 2018/19 as it had not been signed by the RFO prior to agreement by council and there was an error in the PWLB stated balance. The notice of conclusion of audit and audited AGAR have not been posted to the council website or reported to the council. **I remind council that it is a requirement to publish the notice of conclusion and audited AGAR and report the outcome to council.**

##### ***Confirm by sample testing that councillors sign statutory office forms***

I confirmed by sample testing that councillors have signed "Acceptance of Office" forms and Register of Members' Interests, in line with regulations. Register of Members' Interest forms are available on the council website via a link to the District Council website. The councillors have not signed acceptance to receive information by electronic means and **I would recommend that this is completed using the following wording 'As per schedule 12 of the Local Government Act 1972, I give my consent to receive communication by electronic means.'**

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

I note that the council is not required by law to follow the 2015 Local Government Transparency Code, although it is recommended best practice for councils to follow the principles of the code. A review of the web site shows that the code is being mostly followed through the publication of required information, although the staff organisational chart and pay multiple are not currently published. A good example to follow in terms of making the information easy to access can be found via the link o West Chiltoningon Parish Council's website [www.wcpc.org.uk/transparency/](http://www.wcpc.org.uk/transparency/). The council also needs to be aware of the DDA accessibility requirements for websites which come into force in September 2020.

*Confirm that the council is compliant with the GDPR*

The council is aware of GDPR and has undergone training. It was noted the council has introduced common email addresses internally and for councillors, although councillors do not always use these. It 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 not appointed an external Data Protection Officer (DPO), but has a Privacy Notice on the website. **There do not appear to be any other Data Protection policies and I would recommend these are drafted for adoption.**

*Confirm that the council meets regularly throughout the year*

The council is set up through a number of committees as below:

- Council – meets monthly
- Planning – meets monthly
- Finance – meets quarterly

*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 is noted that the non-confidential supporting documentation is not published on 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](http://ico.org.uk/minutesandagendas.pdf)

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

Draft minutes are uploaded to the council website usually within a week of the meeting, and subsequently replaced with final versions once approved. Draft minutes are clearly labelled as such.

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

The Standing Orders are based on a NALC model and are dated July 2010. There have been a number of significant changes to these since that date, particularly in relation to responsibilities relating to the holding of and processing of information, and other regulatory changes. The Standing Orders are scheduled for review in January 2020 and these will be checked at the year-end audit. The Clerk is aware of the 2018 NALC model (available on the SSALC website) and will use these as a basis for review.

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

The Financial Regulations are based on the NALC 2019 model and were adopted by council in September 2019. The regulations being based on the NALC model contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council.

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

Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation, and this is minuted in accordance with regulations. Evidence of this was verified for the July, August and September 2019 reconciliations, which were signed as verified by councillors.

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 as below:

- The council for all items over £10,000
- A duly delegated committee for items over £1,000
- The Clerk, in conjunction with Chairman of Council or Chairman of Appropriate committee for items below £1,000

It was noted that the emergency authorisation level for the Clerk is £1,000.

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations. Sample checking of invoices and payment lists confirm correct processes are being followed.

Financial regulation 6 deals with making payments. The council makes payments predominately by BACS with some direct debits and occasional cheques. Online payments are made by the Clerk under direct monitoring from the Chairman. Cheque payments require two signatures and there are four councillors authorised to sign. **Council is reminded that the renewal of direct debits must be confirmed by council at least every two years.**

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 section 137 limit expenditure within limits.

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

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

#### **Final Audit**

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 assessment, which was last reviewed in November 2018. This identifies risks to the council and outlines how these risks are being managed.

The council has a valid insurance policy in place, with Public Liability and Employers Liability cover of £10 million, and a Fidelity Guarantee of £250,000. Through discussion with the Clerk, the council is anticipating significant CIL receipts in the coming year and therefore **I would recommend the council considers increasing the level of the Fidelity Guarantee to cover the maximum total balance held.**

#### **Final Audit**

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."*

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 has begun. The final budget and precept is planned to be agreed by council in January 2020.

The council currently does not have a business plan or forward budget plan, although the council does have a priority spending list for CIL receipts. **It is recommended that the council develops a business plan and forecast budget plan to support it.**

The council holds circa £59,000 in earmarked reserves and a further circa £30,000 in general reserves. General guidance recommends the council's general reserve should be circa 50% of precept, adjusted for local conditions. The general reserve is slightly lower than expected although not all of the earmarked reserve may be spent and therefore any surplus could go back into the general reserves.

**Final Audit**

The council has a capital projects program, which has been prioritised with costings applied to each project. Finds are then earmarked for use on these projects. Council is reminded that 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**

Apart from the precept, the council's other income is through:

- Allotment rental
- Ashes interments
- Hall hire
- CIL
- Easement payments

The whole precept has been received properly accounted for and correctly recorded in box 2 of the AGAR.

**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 uses an external company to process payroll. Payments are made by the council and approved using the same system as other payments. There are no councillor allowances. All staff members have a signed contract of employment and are on the NJC scale. Checks of the HMRC calculations will be completed at the year-end audit.

**Final Audit**

Due to the remote nature of the final audit, detailed checking of payroll records was not possible. The amounts on the AGAR were reconcilable to the accounting records relating to 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 detailed fixed asset register in place including all the required information. Assets are correctly stated at historic or proxy cost. The asset register was up to date with all relevant assets as at the current financial year end. Additions and deletions are completed in year.

**Final Audit**

The asset register 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, which has been signed in accordance with Financial Regulations.

**Final Audit**

At the year-end audit date, the council had a reconciled bank position across its accounts with year-end balances verified against bank statements for 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**

	<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	<i>prepared its accounting statements in accordance with the Accounts and</i>	<b>YES</b> – accounts follow latest Accounts and Audit Regulations and

	accounting statements.	<i>Audit Regulations.</i>	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.

**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	55,232	77,700	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	97,135	92,500	Confirmed against precept amount received
3	Total other receipts	69,889	70,946	Confirmed against accounting records
4	Staff costs	26,706	31,390	Confirmed against accounting records
5	Loan interest/capital repayments	6,391	7,354	Confirmed against PWLB statement
6	All other payments	111,459	93,178	Confirmed against accounting records
7	Balances carried forward	77,700	109,224	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	77,700	109,224	No difference to box 7 as receipts and payments
9	Total fixed assets plus long term investments and assets	451,588	451,588	Confirmed against asset register
10	Total borrowings	101,694	96,681	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% for boxes 4, 5 and 6.

#### **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 declare 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 Capel Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Date Inspection Notice Issued	14 June 2019	To be confirmed
Inspection period begins	17 June 2019	To be confirmed
Inspection period ends	26 July 2019	To be confirmed
Correct length	Yes	
Common period included?	Yes	N/A
Summary of rights document on website?	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