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Our Ref: MARK/PLU001

Mrs A Emery
Plumpton Parish Council
Elm Cottage
Church Street
Hartfield
East Sussex
TN7 4AG

21st November 2018

Dear Anita

Re: Plumpton Parish Council
Internal Audit Year Ended 31st March 2019

Following completion of our interim internal audit on the 21st November 2018 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 in the tables at the end of the report.**

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 & 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 Plumpton 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 Anita for her assistance and whilst my report contains recommendations to change these are not indicative of any failings, but rather are pointers to improving upon an already well ordered system.

A. BOOKS OF ACCOUNT (INTERIM & FINAL AUDIT)

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 that of the Council. There is one user with their own individual logon. In the event of the clerk's incapacity, the chairman has a list of the passwords in a sealed envelope. The sealed envelope is verified on an annual basis. This is a small council and as such no scope for segregation of duties, all financial elements are undertaken by the clerk.

Every month a bank reconciliation is performed, income & expenditure against budget reports and a list of payments are printed and filed in month order. The hard copy reports are easy to read and logically filed. My audit testing showed that supporting documentation could be easily located from records. This is a clear and easy system to follow and I make no recommendation to change. **I would however, recommend the following:**

- **the cashbook is printed so that it can be agreed to the bank reconciliation at the end of each month**
- **the payslips are filed in a separate folder kept locked away for GDPR reasons**
- **review system for keeping documentation in respect of receipts**

I tested opening balances as at 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18.

The Council is not VAT registered. The last VAT reclaim was for the period ended 30th September 2018 which showed a refund position, this was received in October 2018 and I verified this to the bank statements and cashbook. This indicates that the council is up to date with its postings on the financial package.

Overall, I have the impression that the accounting systems are well ordered and routinely maintained and as such I make no recommendation to change. I am of the opinion that the control assertion of "Appropriate accounting records have been properly kept throughout the financial year" has been met.

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT)

Interim Audit

External auditors report was not qualified in 2017/18; however, the council was picked up on the elector's 30 day notice period and as such the 2018/19 governance report assertion 4 must be answer no and accompanied with a letter to the external auditor.

I confirmed by sample testing that Councillors have signed "Acceptance of Office" forms and register of members interests, in line with regulations. **The councillors will need to sign acceptance to receive information by electronic means on an annual basis.**

I note that the Council is not required by law to follow the 2015 Transparency Code; however, a review of the web site has shown that much of the information required by the code is posted.

The council is aware of the GDPR. It was noted the Council has common email addresses internally 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. **I recommend the council post a privacy notice to the website and contact the SSALC office in respect of privacy notice templates.**

Minutes are prepared for all meetings of the Council and its committees i.e.

- Full Council; meets monthly
- Planning – meets monthly with full council
- Finance; meets monthly
- Transport, environment, policing and neighbourhood watch – quarterly

- Village Hall & Playing Field - quarterly

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks only the full council has spending powers.

Our audit testing showed that minutes and agendas are generally posted to the council website. 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. **We remind council that supporting documents referred to in the agenda need to be posted with the agenda to the website.**

In testing the minutes, **we noted the council needs to be consistent with what it is posting to the website insofar as draft minutes or final signed minutes. I would recommend signed copies are posted to the website in future.**

The standing orders are based on the NALC model and were readopted in 2018. It was noted that the formal tender limit in standing orders was set at £500 whereas financial regulations is £25,000. **I recommend this is reviewed and perhaps changed to match the financial regulations limit set at £25,000.**

The Financial being based on the NALC model contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council. **I recommend the financial regulations are reviewed in respect of the clerk's power to spend as there are inconsistencies with the limits for obtaining estimates and quotes.**

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

- £25,000 + Tender Process
- £3,000 - £25,000 3 quotations are required.
- £100 - £3,000 – strive to get 3 estimates
- 0 - £,100 – power to spend

Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts and this is minuted in accordance with regulations.

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. Budget reports are produced monthly

As a small council the process of occurring and authorising expenditure and for physically settling the liability is very simple. The expenditure requirement is identified and depending on amount discussed with council or chair in advance of the next council meeting. Once approved by council/committee the service or goods will be ordered. The suppliers invoice when received is filed ready for payment approval. A manual payments list is populated and sent to councillors for approval twice a month. Once the manual list is approved the invoices are paid via on-line banking and processed on the financial reporting package. A payments list is printed from the financial reporting package and taken to council together with hard copy invoices for noting in the minutes.

Internet payments are made via the bank website, the bank is a dual access system, whereby the same user cannot both set up and authorise the same payment or transfer. This provides a natural segregation of duties and is consistent with the council's requirement for two cheque signatories. A payment notification printout is printed from the bank website and attached to the relevant invoice – both items then being filed in month and transaction order in the hard copy files.

I would however recommend a minor adjustment to this process, because there is a small disconnect between the authorising of the payments list and the physical invoice. I would recommend the payments list as approved via email is printed off and taken to the council meeting. This list is then agreed to the hard copy invoices and both list and invoices are ticked or annotated to show reviewed. The signed list is then used as a basis for setting up the payments and is entered into the minutes.

Bank mandate updated in May 2017 – this needs updating with councillor changes.

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 & INSURANCE (INTERIM & FINAL AUDIT)

Interim Audit

The Council has a risk assessment that covers operational and financial risks, this was taken to council in July 2018 for review; **however, the council did not have a risk management policy, this can be obtained from SALC.**

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Money and asset cover appear adequate.

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)

Interim Audit

I confirmed that the 2019/20 budget was underway at the time of the audit and council is working on 3 to 5-year forecasting.

As at 31st October 2018 total reportable income was £66,488 (Annual Budget £57,248), and expenditure £45,524 (annual budget £57,729). The additional budgeted income is due to gross up of income previous offset, CIL monies and refund from network rail. Expenditure will be over budget on professional fees due to Network rail project and additional spend on finger posts. I confirmed that where necessary and applicable the 2019/20 budget has been updated to reflect over and under budget items from 2018-19.

At the end of October, the council had £97,138 in combined bank balances, of which £35k is earmarked leaving £62k as a general reserve, rule of thumb calculations would indicate that a general reserves balance of circa £28k (50% of precept) as adjusted for local conditions would be reasonable. I confirmed the council is in the process of further earmarking reserves for future projects.

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)

Interim Audit

The council has various streams of income:

- Precept (circa 90% of all income)
- Allotments

- Grants
- Interest

At the time of the interim audit the precept has been fully received. There is no cash income and there are no significant bad or doubtful debts.

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

No petty cash

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

The council uses HMRC PAYE tools to calculate the wages for the three employees. There is a typo on the YTD tax element of one of the payslips; however, I confirm there is no error on the deduction or refund of PAYE. The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS. Employees are paid with reference with NJC scales for consistency purposes. I tested the tax deductions at month 6 – there were no errors.

Monthly and PAYE and NI deductions and returns have been submitted online and on time to HMRC. The PAYE and NI liability for October 2018 was paid in 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. Councillors are not paid allowances.

I am of the opinion 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)

Interim Audit

The Council has a fixed asset register in place. This is an excel spreadsheet and lists the assets by name with columns to denote original cost and historic valuation cost. Assets appear to be correctly stated at historic or proxy cost.

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)

The council has three bank accounts all held with Barclays. The total combined funds are not significant enough to warrant split across other financial institutions. It was noted that two of the three bank accounts operate as one account and are combined as a single cashbook on the financial reporting package. **I recommend the council dispense with the second current account as this is unnecessary.**

I re performed the October 2018 reconciliation there were no errors, this agreed to bank statement and cashbook.

I am of the opinion that bank and cash balances that the control objective of “Periodic and year-end bank account reconciliations were properly carried out.”, has been met.

J. YEAR END ACCOUNTS

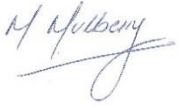
TBC at year end

K. Trusteeship

No trusts.

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

Kind regards
Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Mulberry', with a stylized flourish at the end.

Mark Mulberry

Interim Audit - Points Forward

Audit Point	Audit Findings	Council comments
Books of Account	<p>I would recommend the following:</p> <p>the cashbook is printed so that it can be agreed to the bank reconciliation at the end of each month</p> <p>the payslips are filed in a separate folder kept locked away for GDPR reasons</p> <p>review system for keeping documentation in respect of receipts</p>	
Governance	The councillors will need to sign acceptance to receive information by electronic means on an annual basis.	
Governance GDPR	I recommend the council post a privacy notice to the website and contact the SSALC office in respect of privacy notice templates.	
Governance Agendas	We remind council that supporting documents referred to in the agenda need to be posted with the agenda to the website.	
Governance – minutes	We noted the council needs to be consistent with what it is posting to the website insofar as draft minutes or final signed minutes. I would recommend signed copies are posted to the website in future.	
Standing Orders	I recommend the contract tender limit is reviewed and perhaps changed to match the financial regulations limit set at £25,000.	
Financial Regulations	I recommend the financial regulations are reviewed in respect of the clerk's power to spend as there are inconsistencies with the limits for obtaining estimates and quotes.	
Procedures	I would however recommend a minor adjustment to the authorisation process, because there is a small disconnect between the authorising of the payments list and the physical invoice. I would recommend the payments list as approved via email is printed off and taken to the council meeting. This list is then agreed to the hard copy invoices and both list and invoices are ticked or annotated to show reviewed. The signed list is then used as a basis for setting up the payments and is entered into the minutes.	
Risk management Policy	This can be obtained from SALC.	
Bank Accounts	I recommend the council dispense with the second current account as this is unnecessary.	