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Our Ref: MARK/PLU001

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

22nd April 2020

Dear Anita

Re: Plumpton Parish Council
Internal Audit Year Ended 31st March 2020

Following completion of our interim internal audit on the 3rd December 2019 and our final audit on the 22nd April 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 in the tables at the end of the report.** **The recommendations from the interim visit have been answered in the table 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. 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.

Final Audit – Summary Finding

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

- Review of annual accounts & AGAR
- Review of bank reconciliation
- 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 transaction of that of the council for the year ended 31st March 2020. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT (INTERIM 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 tested opening balances as at 1/4/19 and confirmed they could be agreed back to the audited accounts for 2018/19.

The Council is not VAT registered. The last VAT reclaim was for the period ended 30th September 2019 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

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

External auditors report was not qualified in 2018/19. This was reported to council in October 2019. Evidence was also noted in the minutes of the internal auditor's report being reviewed and accepted. 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, register of members interests and acceptance to receive information 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 Transparency Code; however, a review of the web site has shown that much of the information required by the code is posted.

Confirm that the Council is compliant with the GDPR.

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.

The council has a privacy notice on its website.

Confirm that the Council meets regularly throughout the year

The council has the following committees:

- 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 each committee has spending powers.

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

The RFO was able to demonstrate that at least 3 clear days' notice is given on agendas. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance.

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

Draft minutes are uploaded to the council website. Thee agreed to the signed copies held in hard copy.

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 and were approved in May 2019.

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

Financial regulations are based on the NALC model and are dated October 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 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.

- Council for all item over £5,000
- Council or committee over £500 up to £5,000
- Clerk & Chair up to £500

The clerk has emergency spending powers of £500.

I would recommend that council consider introduction of lower threshold to allow clerk to buy small sundries, ink paper etc without need for prior permission for chairman.

Budget reports are produced monthly

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.
- £500 - £3,000 – strive to get 3 estimates
- 0 - £500 – power to spend

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 system generated payments list is printed and sent to councillors for approval once a month. In advance of the meeting the on-line banking payments are set up by the clerk. At the meeting the on-line list and system generated payment list are approved. Councillors then log on to approve on-line payment.

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.

Bank mandate updated in May 2017.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.12 per elector.

The council has had £750 of S.137 expenditure.

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.

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 therefore of the opinion that the control assertion "This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for", has been met.

Final Audit

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items. The variance analysis adequately describes the movement year on year.

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)

Interim Audit

The council has a risk management policy dated May 2019. The Council undertakes an annual risk assessment, this is in a simple table format, which is entirely suitable for a council of this size.

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.

We discussed assertion 8 of 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 & RESERVES (INTERIM & FINAL AUDIT)

Interim Audit

I confirmed that the 2020/21 budget was underway at the time of the audit.

As at 6th November 2019 total reportable income was £81,960 (Annual Budget £57,960), and expenditure £86,485 (annual budget £67,389). The additional unbudgeted budgeted income is due to CIL monies, donations & VAT refunds. Expenditure appears over budget however this is due to spending on the band stand from earmarked reserves.

The council has £29,287 in earmarked reserves at the audit date. The system is used to monitor these on a regular basis. I remind council the need to earmark general reserves for future spending.

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.

Final Audit

The council has £73,430 of total reserves of which £31,793 is general, this is slightly more than 50% of precept but is not unreasonably high. In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £28k.

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.

Final Audit

The precept income is correctly shown in box 2 and the local tax support grant has been correctly shown in box 3 of the AGAR. There are no errors to report.

Other income is broadly similar year on year and comprises amongst others VAT refunds and grants, no variance analysis is required as the movement year on year is less than 15%.

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)

No petty cash

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

The council uses HMRC PAYE tools to calculate the wages for the three employees. 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 8 – 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 November 2019 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

Final Audit

The year on year movement of £13,487 is greater than 15% and as such has been explained on the list of significant variances. This is due to two additional members of staff.

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)

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.

Final Audit

The asset register was up to date with all relevant assets as at the current financial year end. There was one addition of an asset for £35,000

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)

Interim 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 November 2019 reconciliation there was a bank error of £0.50p which will auto correct in December statement.

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.

Final Audit

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation there were no outstanding payments and no outstanding lodgements.

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)

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

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2018-19 AGAR.

Agar Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	75,798	92,533	Agrees to Brought forward
2	Precept or Rates and Levies	56,062	56,985	Agrees to bank statement – grant in box 3
3	Total other receipts	27,213	26,159	Similar year on year
4	Staff costs	17,966	31,453	Increase greater than 15% - additional staff
5	Loan interest/capital repayments	0	0	N/A
6	All other Payments	48,574	71,794	Increase greater than 15% - majority due to new band stand and decrease in overheads
7	Balances carried forward	92,533	72,430	Carried Forward casts correctly – not greater than twice precept no additional explanation required. General reserve £31,793 earmarked £40,637
8	Total value of cash and short term	92,533	72,430	Agrees to bank reconciliation – no outstanding payments or receipts – all three bank balances agree to statements

	investments			exactly
9	Total fixed assets plus long term investments and assets	1,288,332	1,323,332	Agrees to excel register – 1 new bandstand at £35k
10	Total borrowings	0	0	N/A

The variance analysis is required because there are variances greater than 15% and £500. This has been prepared on a summary table basis.

I am of the opinion the AGAR will be ready for submission to the external auditor within statutory time scales and that 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. TRUSTEESHIP (INTERIM AUDIT)

No trusts.

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


I confirmed with the clerk that arrangements are in place at this Council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20Proposed
Accounts approved at full council	April 2018 Full Council	30 th April 2020
Date Inspection Notice Issued and how published	30 th April	1 st May 2020
Inspection period begins	17 th June	15 th June
Inspection period ends	26 th July	24 th July
Correct length	Yes	yes
Common period included?	Yes	yes
Summary of rights document on website?	Attached to inspection announcement	Attached to inspection announcement

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. Plans are also in place to allow for inspection periods to be published and set correctly for 2019-20 accounts.

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

Kind regards
Yours sincerely



Mark Mulberry

2018-19 Final Audit - Points Forward

Audit Point	Audit Findings	Council comments
Reserves	The general reserve is still too high. Consideration to be given to further earmarking.	ongoing

2019-20 Interim Audit - Points Forward

Audit Point	Audit Findings	Council comments
Financial Regs	Consider change to ordering thresholds	Completed - Nalc models adopted
Bank	Consider closing a bank account	Completed NSI account closed

2019-20 Final Audit - Points Forward

Audit Point	Audit Findings	Council comments
Financial Regs	Need to change financial regs under transparency page on web site for new set adopted in Jan/Feb 2020	