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Our Ref: MARK/HAR013

Mrs E Fulham
Hartfield Parish Council
Goods Yard House
Edenbridge Road
Hartfield
TN7 4JG

26th April 2018

Dear Emma

Re: Hartfield Parish Council
Internal Audit Year Ended 31st March 2018

Following completion of our internal audit on the 26th April 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 underlined text.

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 are considering the authority's approval of the annual governance statement.

Audit – Summary Findings

At the 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 annual accounts & annual return
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

It is our opinion that the systems and internal procedures at Hartfield Parish Council are very well established, regulated and followed. The clerk is very experienced and ensures the council follows regulations to maintain compliance.

It is clear the council takes policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose. I would like to thank the clerk for her hard work during the year.

I am of the opinion that the annual accounts and annual return are ready to be signed off by council and the external auditor and that the annual return is a true and fair reflection of the financial transactions of that of the council for the year ended 31st March 2018. Accordingly, I have signed off the annual return.

A. Books of account

The council continues to use RBS an industry specific accounting package. I have tested the brought forward balances against the prior year annual return and can confirm these have been brought forward correctly.

The RBS system is used regularly to report and record the financial transactions of the council and a review of the cashbook shows that all data fields are being entered, the hard copy reports are easy to read and logically filed. I therefore make no recommendation to change in this system.

The clerk/RFO regularly produces financial information for the council that includes but is not always limited to, bank reconciliation, cashbook, income and expenditure against budget and other reports as fit. This is a clear and easy to follow system and I make no recommendation to change in this process.

My audit testing showed that supporting documentation could be readily located from records recorded on RBS. I make no recommendation to change in this system.

I tested opening balances as at 1.4.17 and confirmed they could be agreed back to the audited accounts for 2016/17.

I confirmed that the Council's is up to date with its VAT reclaims.

I am of the opinion that the council is keeping appropriate books of account.

B. Financial regulations & payments

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

The council, in its May 2017 re-adopted Financial regulations. This is in accordance with regulations. Regulations will be reviewed again in May 2018. The Financial regulations are based on the 2014 NALC model and are dated May 2015. 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 deals with Accounting and Audit. The clerk/RFO was able to demonstrate the bank reconciliation, bank statement are signed in accordance with regulations and minutes described the activity beyond reasonable doubt.

Financial regulation 5 & 6 deal with authorisation and making of payments. I have selected the June 2017 minutes and traced the authorised payments to the invoices and bank statements, noting council authorisation at each stage. Invoices are authorised and a random sample of payments was selected. There were no errors and all agreed to the payments list. The council makes payments via cheque, bacs, direct debit & credit card. No cash payments.

The payments list and the minutes show beyond doubt what is being approved, invoices are annotated and checked.

The payment schedule as reported in the minutes is posted to the council website within the supporting papers and minutes to the meeting, this is in accordance with the transparency Act requirements and ensures all payments are made available to the wider public. Where applicable personal information would be redacted.

The council does not use internet banking. The council has issued cheques in the year. The stubs have been initialled twice in accordance with regulations.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.57 per elector. The council has no S.137 expenditure.

Confirm that checks of the accounts are made by a councillor. The finance committee perform detailed reviews each quarter and this is minuted in accordance with regulations.

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

The council, reviewed and adopted Standing orders in May 2017. The standing orders are based on the NALC model.

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

The council routinely posts up its minutes to its web site within 30 days of the meeting, should changes be required as notified at later meetings the minutes are updated. **However; I would remind council to indicate which minutes are in draft and which are finalised.**

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. This is in accordance with regulations.

Confirm that the Parish Council is compliant with the Data Protection Act 1998 and that plans are being put in place to comply with GDPR 2018. The council is aware of the change in regulations and has undergone training. The minutes disclose council discussion of the same. A GDPR policy is in the process of being written. I am of the opinion that the council is taking seriously its obligation to fulfil the requirements of the GDPR.

Check the publication of councillor's contact details etc

The website has a contact details for all councillors. The register of interests is published on the district web site., with links from the parish council web site. Councillor representation to external bodies is detailed by councillor on the website and has been minuted.

The Council is not required by law to follow the 2015 Transparency Code, although it is likely the law will change in the near future. The council does already comply with the key elements of the code; **however, I would recommend that it would be sensible to carry out a brief audit against the requirements of the Code to ensure that the Council is fully compliant for when the regulations change and to this end I have signposted Crowborough Town Council as a good site to review.**

The council does not have GPC and there is therefore a query regarding the power to have residential rental properties and let these to the public; however given this power was in place when the lettings started, the council is allowed to continue this activity as it would not be in the spirit of the regulations to force the council to sell its properties.

I am of the opinion that the council has robust policies and procedures in place and follows these. I make no recommendation to change.

£68,554 (2017: £48,975). The council has additional expenditure in the year of £19,569 attributable amongst others to the youth shelter, signage and legal costs. In reviewing the cost headings, the nature, type and scope of the expenditure is broadly similar to that of the prior year.

I am of the opinion that other payments are correctly shown on the annual return.

C. Risk management & insurance

The council has a detailed risk assessment document which was reviewed at every finance meeting. The document is very comprehensive a covers not only trips and hazards, but also financial and management risks. This document is entirely fit for purpose and I make no recommendation to change.

All council data is now stored on the cloud and regular backs ups are taken to an external drive stored in the clerk's office.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Asset & money cover appears adequate.

D. Budget, precept & reserves

Reserves £46,741 (2017: £52,249)

The council has both general and earmarked reserves, a rule of thumb calculation indicates that general reserves of 50% of precept being circa £35k as adjusted for local conditions would be reasonable for a council of this size.

It is noted that the council has very high earmarked reserves and a negative general reserve, indeed a review of the reserves shows that some of the earmarked reserves are generalised in nature (contingency), which if transferred back to general would make the general reserve positive. **Council is advised that it is NOT allowed to have a negative general reserve and should address the presentation of its reserves as soon as possible.**

The Council was able to demonstrate that budget monitoring reporting to members is comprehensive, and is appropriately minuted.

E. Income

Precept: - £76,137 (2017: £73,209)

Other income: - £37,559 (2017: £32,871)

The precept was tested to third party remittance advice note and the bank statement, there were no errors. The balance has not moved by more than 15% year on year.

Other income comprises, VAT refunds, grants, donations and flat income. The total other income balance has not moved by more than 15% year on year. The VAT refunds of £8,737 were agreed to two remittance advice notes. VAT reclaims are prepared on a quarterly/half year basis.

The flat income of £16,650 was verifiable via the tenancy agreement and amounts shown on the bank statements.

I am of the opinion that income is properly recorded on the annual return.

F. Petty cash

No petty cash

G. Payroll

£24,673 (2017: £24,318)

The council has one employee, payroll is run in house using the HMRC Basic Paye tools the payroll costs are reconcilable to the payroll/P60 and pension schedules.

Payments of salaries are authorised by council along with usual payments.

The clerk does have a signed contract of employment and is paid according to national scales. There have been no changes to hours or rates of pay in the last council year other than national increases. **I recommend the minutes show more detail in future when payroll changes occur.**

I am of the opinion that payroll costs are correctly shown on the annual return.

H. Assets and investments

£828,756 (2017: £821,895)

During the council year a shelter and oak post were added to the register. Assets are stated at either historic cost/proxy cost.

I am of the opinion that fixed asset are correctly shown on the annual return.

It was noted though that the fixed asset register needs to be updated to fully comply with the transparency and best practice regulations. The register itself is not just a simple list of assets, it is a tool that enables the council to physically control the assets by way of regular inspection. It enables the council to plan for future replacement, and importantly to ensure assets are not over or under insured.

The key information needed in the asset register is:

1. Date of acquisition, upgrade and disposal
2. Description of asset
3. Cost/Proxy Cost of acquisition
4. Insurance value (if insured)
5. Replacement value
6. Location of asset
7. Condition of asset
8. Useful life estimate
9. Custodian
10. Date Last physically vouched

A columnar approach can be used to record these details, with the total of the cost/proxy cost column agreeing back to the annual return.

Date of acquisition, upgrade and disposal	Description of asset	Cost/Proxy Cost of acquisition	Insurance value (if insured)	Replacement value	Location of asset	Condition of asset	Useful life estimate	Custodian	Date Last physically vouched

By showing the insurance value next to the original cost – it is easy for a council to ascertain at a glance if an asset is insured or not or to show under or over insured assets.

The use of the replacement value column allows the council to plan for replacement either by way of insurance claim or via designated funds. Remember insurance value is not always the same as replacement value.

The location must be detailed enough to allow the reader to physically find the asset.

The condition of the asset will tie in with useful life and will allow the council to plan for replacement.

I. Bank reconciliations

£46,741 (2017: £52,249)

The council has a reconciled bank position as at the 31st March. I have checked the reconciliation to the bank statements and annual return, there were no errors. The reconciliation has £267.60 of outstanding of cheques, one of which is dated December 2017 for £60. If this written back in the 2018.19 council year this will not affect the reading of the accounts.

I am of the opinion that the bank and cash balances are correctly shown in the annual return.

Loan Interest/Capital Repayments £25,987 (2017: £26,617)

Total Borrowings £254,999 (2017: £269,166)

The repayments of capital and interest were agreed to third party remittance and the balance of the loan outstanding was agreed to the statement. There were no errors.

I am of the opinion that loan balances are capital and interest repayments are correctly stated on the annual return.

J. Year end accounts

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

The annual return correctly casts and cross casts and the comparatives have been correctly copied over from the 2016/17 annual return. The variance analysis is required for box 6 only.

The council has made provision within its schedule of meetings to sign off the annual governance statement and accounts in time to display the notice of electors rights.

I am of the opinion the accounts and annual return will be ready for submission to the external auditor.

K. Trusteeship

No trusts.

Should you have any queries please do not hesitate to contact me, finally I enclose a fee note for your kind attention.

Kind regards

Yours sincerely



Mark Mulberry