



## MULBERRY & CO

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Our Ref: MARK/COM001

Ms J Cadman  
Compton Parish Council  
Rumbeams Cottage  
Ewhurst Green  
Cranleigh  
Surrey  
GU6 7RR

29<sup>th</sup> May 2020

Dear Joanna

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

Following completion of audit on the 29<sup>th</sup> May 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.

It is our opinion that the systems and internal procedures at Compton 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 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

### *Internal audit requirement*

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

The Council continues to use RBS as a day to day accounting package, this is a tried and tested industry specific package and I make no recommendation to change.

The system is used by a single user to report on and record the financial transactions of that of the Council.

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 and the last VAT reclaim was for the period ended 31<sup>st</sup> December 2019, which shows a refund position which was received in February 2020.

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

### *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 & 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 [Minute 106/19]. 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 not been posted to the council website.

**I remind council is it required to publish the notice of conclusion of audit.**

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

I confirmed from the minutes of the May 2019 meeting that Councillors sign "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.** I have provided some sample wording below for council consideration.

*"As per Schedule 12 of the Local Government Act 1972, I consent to the receipt of all council meeting papers by electronic methods. I understand I may withdraw this consent at any time."*

*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, my comments under this heading reflect best practice opinion and do not affect the internal audit report as submitted to the external auditor.

A review of the web site has shown that many of the links (registers of interest, minutes reports & agendas) do not function. I would recommend that a review is undertaken.

***Confirm that the Council is compliant with the GDPR.***

As council is aware of GDPR. The council has a GDPR statement on its website. It was noted the Council does not have common email addresses. A common email system such as [cllr.name@compton.....](mailto:cllr.name@compton.....) is recommended because it gives a natural segregation of council and personal business, making it 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.

***Confirm that the Council meets regularly throughout the year***

Council meets circa 10 times per annum.

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

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 and final minutes are uploaded to the council website, but as noted above not all are linked – for instance May 2019 and the May extraordinary meeting are not there. I remind council that it is a requirement to publish minutes within 30 days of the meeting.

***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; these were approved by council in the May 2019 meeting

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

Financial regulations are based on the NALC model these were approved by council in the May 2019 meeting. 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.***

I reviewed a random sample of expenditure transactions and was able to confirm the following

- Accounting entry agreed to invoice
  - Confirmed VAT accounting correct
  - Confirmed sign off by 2 councillors – via email approval round robin.
  - Confirmed approval at meeting of the council
  - Clerk then makes payment through bank.
- 
- 01/06/2019      Ref 22    Tree surgey      £1,000
  - 25/11/2019      Ref FP    Swing seats      £677.47
  - 17/09/2019      Ref 39    Handyman      £800.00
  - 10/12/2019      FPO      Legal Challenge £20,000

***Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.86 per elector.***

The council has no 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 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**

#### **Internal audit requirement**

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

The Council undertakes a full risk assessment that covers operational and financial risks, this was taken to council in May 2019.

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**

#### **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.*

The Council approved the budgets and precept for 2020-21 at the meeting in January 2020. Clear minuting of both precept and budget and reserves balances show that the budget was properly considered by Council. All precepting authority deadlines were met. The precept was appropriately noted, and there is a detailed budget in place for the new financial year.

I have confirmed that budget monitoring reports are produced each month and reported to councillors at monthly council meetings. The income and expenditure report is produced directly from the RBS system, and I confirmed by review of minute files that this is presented and the review noted in Council minutes.

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**

#### **Internal audit requirement**

*Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.*

The council has various streams of income:

- Precept (circa 36% of all income)

- Grants
- Cemetery
- Rentals & leases (circa 48% of all income)

The council last reviewed its annual charges in April 2019.

The precept income was tested to application for payment and third party evidence supplied to the auditor. This has been correctly shown in box 2 of the AGAR with all other income in box 3.

Other income has increased significantly due to rental income in 2019-20 not manifest in 2018/19.

There is no evidence of netting off, nor were there significant numbers of journal corrections.

At the year-end date the council had £500 VAT debtor relating to two items of expenditure made in January 2020 and agrees to the VAT reports provided to the auditor.

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**

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

*Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.*

No petty cash

#### **G. PAYROLL**

##### ***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.*

Payroll is processed by the Clerk using the 12 Pay software package. The amounts shown on the AGAR, were reconcilable to the payroll records, there were no errors.

Monthly and year-end PAYE and NI deductions and returns have been submitted online, on time to HMRC.

All Council employees are paid through the payroll for all Council work undertaken. No employees are paid separately for any other Council work undertaken. Casual labour payments are correctly recorded via the payroll. Councillors are not paid allowances.

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**

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

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

The Council does not hold any long term investments i.e. over 1 year. The fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR. The asset register was up to date with all relevant assets as at the current financial year end.

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**

### **Internal audit requirement**

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

At the year-end date the council had a reconciled bank. I have reviewed the reconciliation there were no outstanding payments and no outstanding lodgements. I also tested the cut off and can confirm the payments and lodgements are shown in the correct year.

Evidence is noted in the minutes of bank reconciliations being taken to council for approval.

The council has two active bank accounts. None of the accounts are long term investments and as such do not need to be disclosed in box 9 of the AGAR.

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. THIS MUST BE A SEPARATE AGENDA ITEM TO THE SIGNING OF THE ANNUAL ACCOUNTS.

### **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 accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	<b>YES</b> – income & expenditure accounts follow latest Accounts and Audit Regulations and practitioners guide 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 and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual	<i>has only done what it has the legal power to do and has complied with Proper</i>	<b>YES</b> – the Clerk is experienced and advises the council in

	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>Practices in doing so.</i>	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 has completed two audits during the year.
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

Agar Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	74,221	42,640	Agrees to 2019 cfwd
2	Precept or Rates and Levies	22,460	24,706	Agrees to third party evidence provided to auditor
3	Total other receipts	13,723	42,432	Agrees to underlying records
4	Staff costs	7,240	9,119	Agrees to underlying records
5	Loan interest/capital repayments	0	0	Agreed no loans
6	All other Payments	60,524	59,942	Agrees to underlying records
7	Balances carried forward	42,640	40,717	Casts correctly agrees to balance sheet
8	Total value of cash and short term investments	32,032	40,217	Agrees to reconciliation – no os items
9	Total fixed assets plus long term investments and assets	1,588,205	1,588,205	Agrees to register – no change year on year
10	Total borrowings	0	0	Agreed no loans
11	For Local Councils Only) Disclosure note re Trust funds (including charitable)	YES	NO	No trusts
			✓	

The year-end accounts have been correctly prepared on the income & expenditure basis with the box 7 & 8 reconciliation properly completed.

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

The variance analysis is required because there are variances greater than 15% and £200. This has been correctly 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. LIMITED ASSURANCE REVIEW (FINAL AUDIT)****Internal audit requirement**

*IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick “not covered”)*

Not applicable.

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

*The authority has demonstrated that during summer 2019 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 are due to come into force on 30 April 2020.

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

<b>Inspection - Key date</b>	<b>2018/19 Actual</b>	<b>2019-20 Proposed</b>
<b>Accounts approved at full council</b>	26/06 Full Council	TBC
<b>Date Inspection Notice Issued and how published</b>	28/06 – notice board and website	TBC
<b>Inspection period begins</b>	01/07	TBC
<b>Inspection period ends</b>	09/08	TBC
<b>Correct length</b>	Yes	yes
<b>Common period included?</b>	Yes	yes
<b>Summary of rights document on website?</b>	<b>Attached to inspection announcement</b>	<b>Attached to inspection announcement</b>

I am satisfied the requirements of this control objective were met for 2019/20, and assertion 4 on the annual governance statement can therefore be signed off by the Council.

**M. TRUSTEESHIP (INTERIM AUDIT)**

***Internal audit requirement***

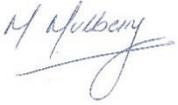
*Trust funds (including charitable) – The council met its responsibilities as a trustee.*

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**

**2018-19 Audit - Points Forward**

Matter Arising	Recommendation	Council Response
I agreed comparatives and opening balances to last year's accounts – I have pointed out 2 rounding errors within comparative balances on the RBS report.	The Clerk should ensure these are rectified before the accounts are submitted to external audit.	They were rectified
At the time of my audit the external audit opinion had not been published on the website.	This needs to be corrected	The external auditors opinion was published to website
There were errors on the 2017-18 inspection of accounts announcement, as reported to Full Council in November 2018.	As agreed at this meeting, the Council has resolved to sign off control objective 4 as "NO" on the 2018-19 Annual Governance Statement.	This was resolved and acted upon.
My testing identified one error a payment relating to the local plan (transaction reference 26). VAT reclaimed on this transaction appears to be overstated by £180 –	The clerk should check accounting entries relating to this transaction and adjust the next VAT claim if necessary.	I checked accounting statements and identified the error
I have not been able to locate a minute showing that the risk assessment has been considered at a meeting of the Council in 2018-19	I recommend that risk assessments are reviewed at the June 2019 meeting. I am satisfied that the Council does actively consider risk, however this must be confirmed by evidence of a clear minute at a Full Council meeting at least annually.	The risk assessments were reviewed at the June meeting and again, after some amendments, at the July meeting.
I understand that the Council does have long term plans to make use of reserves, but that these are not reflected on the balance sheet.	I therefore recommend that a review of reserves is carried out and: - The Council identifies the earmarked reserves it requires and how much money should be allocated to the reserve – this should be minuted - Earmarked reserves as approved by Council should then be set up and managed through the balance sheet on the RBS system	Council decided not to earmark reserves last year, as it was uncertain how much would be needed to support the challenge to the Local Plan
I note that that burial fees are reviewed every 3 years.	This should be done annually to ensure compliance with financial regulations.	Burial fees were reviewed and updated last year, and will be each year from now on.
I have reviewed unrepresented cheques and credits as part of the bank reconciliation and I 2 receipts from the Watts Gallery amounting to £16K that were incorrectly identified as unrepresented credits at 31.3.19. These transactions were BACS payments that reached the Council Bank account on 4 April and should not have been recorded in the cashbook until this date.	The monies were owed to the Council at 31.3.19, so should have been recorded as debtors. I have asked the Clerk to contact RBS to arrange for the relevant accounting adjustments to be posted.	I wrote the payments back, and they were paid in this last financial year.

**2019-20 Audit - Points Forward**

Audit Point	Audit Findings	Council comments
Governance	<p>The councillors will need to sign acceptance to receive information by electronic means. I have provided some sample wording below for council consideration.</p> <p>“As per Schedule 12 of the Local Government Act 1972, I consent to the receipt of all council meeting papers by electronic methods. I understand I may withdraw this consent at any time.”</p>	
Governance	At the time of my audit the external audit opinion had not been published on the website.	