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Our Ref: MARK/ALB001

Mrs J Cadman
Albury Parish Council
Rumbeams Cottage
Ewhurst Green
Cranleigh
Surrey
GU6 7RR

29th May 2019

Dear Joanna

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

Following completion of our final internal audit on 21 May 2019 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 financial year. Recommendations for future action are shown in the table at Appendix A.

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.

Interim Audit – Summary Findings – Desk Based Audit

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

Final Audit – Summary findings

We completed the following work at the final audit.

- Proper Bookkeeping – review of the use of the accounts package.
- Review of Bank Reconciliations
- Compliance with Regulations
- Salaries and Wages
- Review of annual accounts & annual return
- Review of bank reconciliation

- Testing of income and expenditure,
- Review of fixed asset register
- Review of information for external auditor.

I have set out the results of my testing against each of the control objectives set out in the internal audit section of the annual return below.

It is my opinion that the systems and internal procedures at Albury Parish Council are well established, regulated and followed. **I am of the opinion that the annual accounts and annual return are ready to be signed off by council and the external auditor. Accordingly, I have signed off the Annual Internal Audit Report.**

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 entirely fit for purpose and indeed are a model of good practice. I would like to thank Joanna for her assistance and hard work.

A. Books of Account

The Council continues to use the RBS system for recording the day to day transactions of the council. This is a widely used accounting package for the Town and Parish Council sector.

The system is used monthly 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.

Final audit

I carried out a review of the draft accounts. These were found to cast. I was able to agree all entries in the statement of accounts to the Council's accounting records, as recorded in the annual return statement produced from RBS. 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. I am satisfied that the accounts have been correctly derived from the Council's accounting system. I have confirmed that the Council has completed the year end VAT return and it has been submitted to HMRC. A schedule of transactions to support the amount claimed was in place.

VAT reports are currently produced manually, I suggest these could be more efficiently produced using RBS standard reports.

I checked that the Council has published all relevant sections of the annual return for 2017-18 on the Council website, and that legal duties in this area have been met. I note that the Council received a qualified audit opinion at last audit relating to the period for the exercise of public inspection rights. The Council must follow instructions from external audit and:

- Mark box 4 on the annual governance statement for 2018-19 as 'NO'
- Ensure the inspection period is set up following regulations for 2018-19.

Our interim internal audit report has been reviewed and a minute of Full Council records this at the February 2019 meeting. The external audit certificate was reported at the meeting of December 2018 and an appropriate minute taken, the Council resolved to follow the directions set out in the external audit certificate.

I am satisfied this control objective has been met

B. Financial Regulations & Payments

Expenditure per box 6 to the accounts is £44,335(2017-18 £56,816)

The NALC model financial regulations, standing orders and members' code of conduct were taken to Full Council in May 2019.

I reviewed a sample of expenditure transactions and was able to confirm the following for all items:

- Accounting entry agreed to invoice
- VAT accounting correct
- Appropriate payment sign off – I confirmed 2 councilors had signed cheque stub
- I confirmed that the transaction had been included in a payment listing approved at a meeting of the Council.

I note that the October payment listing has not been taken to a meeting of the Council for approval, these payments should be reviewed retrospectively at the next available meeting.

The Council is looking to move to paying suppliers electronically in the next 12 months. This is a sensible plan but will require a review of the Council's financial regulations and payment procedures.

I am satisfied this control objective has been met

C. Risk Management & Insurance

The Council has a series of risk registers held in a risk file- there is evidence that these have been reviewed in the course of the financial year. These have been reviewed by councillors and a summary report confirms this. Minuted approval of the risk management reports was recorded at March 2019 Full Council meeting.

The Council is insured with Axa Insurance on a standard local authority package. I confirmed the policy was in force at the time of the audit with an expiry date of September 2019. Money cover and asset cover appear adequate given cash and assets held by this council.

I am satisfied this control objective has been met

D. Budget, Precept & Reserves

Reserves at Box 7 to the Accounts were £39,135 (2017-8 £29,828).

There are no earmarked reserves, so general reserves are almost 90% the value of precept. I recommend that general reserves should be no more than 50% of precept.

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 reserves – 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.

The Council approved the budgets and precept for 2019-20 at the Full Council meeting of January 2019. All precepting authority deadlines were met. A detailed budget has been prepared and was circulated in advance of the relevant council meeting. Precept has been held at same level as 2018-19. Actual value of precept is recorded in minutes.

I have confirmed that budget monitoring reports are produced each month and reported to councillors at monthly council meetings. Financial regulations are complied with in this regard. RBS standard reports are utilised, confirmed by review of January minutes.

The Council may wish to make use of budgeting modules in RBS when setting the annual budget – this would be more efficient and would ensure all figures used in budget setting are extracted directly from ledgers.

I am satisfied this control objective has been met

E. Income

Precept per box 2 to the accounts is £44,092 (2017-18 £42,225). This has been agreed to documentation supplied by the external auditors.

Income per box 3 to the accounts is £29,095 (2017-18 £14,929).

More than £12K of this income related to grant income. I was able to confirm grant receipts recorded in the cashbook back to confirmation notes from external grant giving bodies.

I note that the Council has some difficulties collecting income from hall hirers, with debts outstanding standing at £2.6K at 31.3.19. Debt collection is time consuming and may lead to income being lost due to non-payment. I therefore recommend that hall hirers are required to pay in advance going forward.

I confirmed that hall fees were reviewed and approved at the full council meeting in December 2018, as required by Financial Regulations.

I have identified no errors in my testing of income.

F. Petty cash

N/A - the Council confirmed it has no petty cash

G. Payroll

Staff costs per box 4 to the accounts were £19,546. (2017-18 £19,878)

Payroll is processed by the Clerk using the 12 Pay software package. I confirmed pay for January 2019 for the Clerk back to the payslip. I confirmed that the payslip and the cheque had been signed off by 2 councillors by reviewing signatures on the cheque stub and on the payslip. I am therefore satisfied that there is an independent review of staff pay processed by the clerk before payment.

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

H. Assets and investments

Fixed Assets per the box 9 were £92,398 (2017-18 £90,598) I confirmed the accounting balance to a schedule of fixed assets that are recorded correctly at cost or proxy cost. I was therefore able to confirm box 9 in the statement of accounts back to the Council's asset register. I note that the change in asset value is due to the removal of the old climbing frame, and the addition of the replacement, correctly added at cost.

I am satisfied that the control objective has been met.

I. Bank reconciliations

Cash per box 8 to the accounts was £39,135 (2017-18 £29,828)

I have confirmed that bank reconciliations are reported to Council meetings each month as part of the monthly finance report. I re-performed the bank reconciliation for 31 March 2019. Balances on the reconciliation were agreed to the cashbook and to the bank statements. Arithmetic was checked.

I have 2 recommendations

- Co -op deposit account, which holds £5K and is not used , should be closed
- Bank reconciliations are reviewed at Council meetings, but this is not evidenced. Bank reconciliations and bank statements should be signed off by the clerk and the reviewing councillor at least quarterly

There are no investments or loans.

I am satisfied that the Council has complied with this control objective.

J. Year-end accounts

The Council has completed accounts on the receipts and payments basis - This is correct for a council of this size, with turnover below £200K. I confirmed that the Council is aware of working papers required by external audit, and that these were being prepared at the time of my audit.

K. Trusteeship

No trusts.

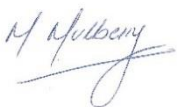
L : Exercise of Public Rights - Inspection of Accounts

I discussed arrangements for the inspection of the 2018-19 accounts with the Clerk. The Full Council meeting to approve the accounts is due to be held on 3 June. I advised the Clerk to use the standard template supplied by external audit, as this fits well with the date of this meeting.

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

Points Forward – Action Plan

Matter Arising	Recommendation	Council Response
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.	
I note that the Council received a qualified audit opinion at last audit relating to the period for the exercise of public inspection rights.	<p>The Council must follow instructions from external audit and:</p> <ul style="list-style-type: none"> - Mark box 4 on the annual governance statement for 2018-19 as 'NO' - Ensure the inspection period is set up following regulations for 2018-19. 	
VAT reports are currently produced manually, I recommend these could be more efficiently produced using RBS standard reports.		
I note that the October payment listing has not been taken to a meeting of the Council for approval,	These payments should be reviewed retrospectively at the next available meeting	
The Council is looking to move to paying suppliers electronically in the next 12 months.	This is a sensible plan, but will require a review of the Council's financial regulations and payment procedures.	
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	<p>I therefore recommend that a review of reserves is carried out and:</p> <ul style="list-style-type: none"> - The Council identifies the earmarked reserves it requires and how much money should be allocated to the reserves – 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.	
The Council may wish to make use of budgeting modules in RBS when setting the annual budget	This would be more efficient and would ensure all figures used in budget setting are extracted directly from ledgers.	
I note that the Council has some difficulties collecting income from hall hirers, with debts outstanding standing at £2.6K at 31.3.19. Debt collection is time consuming and may lead to income being lost due to non-payment.	I therefore recommend that hall hirers are required to pay in advance going forward.	
Bank reconciliation	<p>Co -op deposit account, which holds £5K and is not used should be closed</p> <p>Bank reconciliations are reviewed at Council meetings, but this is not evidenced. Bank reconciliations and bank statements should be signed off by the clerk and the reviewing councillor at least quarterly</p>	