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Our Ref: MARK/FIS002

Mrs L Wright
Fishbourne Parish Council
The Fishbourne Centre
Blackboy Lane
Fishbourne
Chichester
Hampshire
PO18 8BE

16th May 2018

Dear Lucy

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

Following completion of our internal audit on the 15th 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.

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 Fishbourne Parish Council are regulated and followed. The clerk ensures the council follows best practice regulations and has over time adapted and changed the internal procedures as regulations and technologies have changed 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 return is ready to signed off by the external auditor and that the annual return is a true and fair reflection of the financial transaction 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 uses excel for recording the day to day transactions of that of the council. On average there are approximately a 10-15 transactions per month and the spreadsheets are populated on a regular basis. The clerk produces a bank reconciliation, a payments list and budget monitoring on a regular basis.

There have been no reported issues and for recording receipts and payments this is entirely fit for purpose and I see no reason to make any recommendation to change.

B. Financial regulations & payments

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

The council in its May 2018 meeting readopted NALC Model financial regulations. The activity was minuted. This is in accordance with regulations and the older website version will be removed.

Check that the council's Financial Regulations are being routinely followed by tracking some sample payments

I have selected the June & July 2017 minutes and traced the authorised payments to the invoices and bank statements, noting council authorisation at each stage. The invoices were in order and annotated with cheque number and councillor signatures.

The payments are listed in the minutes and as such are posted to the council website, this is in accordance with the Transparency Act requirements and ensures all payments are made available to the wider public. Where applicable personal information is redacted.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.57 per elector. The £700 of expenditure under s.137 was below the threshold.

Confirm that quarterly checks of the accounts are made by a councillor. The council reviews at each parish meeting the bank reconciliations and invoices for payment. The limited number of transactions lends itself to this type of review.

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

The council, in its May 2018 meeting readopted standing orders. This is in accordance with regulations. The older web site version will be updated.

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

The council routinely posts up its draft minutes to its web site within 30 days of the meeting, however evidence was light in respect of full and final minutes. **I recommend council review this procedure for future minutes.**

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. 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 Parish Council contact details and the register of members interests is on the CDC website.

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

All Other Payments £29,987 (2017: £17,734).

A review of the cashbook shows there to be approximately a 10 transactions per month, testing has shown payments to be properly analysed and authorised by council.

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

C. Risk management & insurance

The council has a detailed risk assessment document which is signed off each year and taken to council for approval. 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.

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 and is relatable to the fixed assets register.

D. Budget, precept & reserves

Reserves Carried Forward £73,670 (2017: £77,040)

The council has £43k of earmarked capital reserves and a general reserve of £31k. Rule of thumb calculations would suggest a general reserve of 50% of precept as adjusted for local conditions to be reasonable at circa £20k. The council has its own reserves policy that states 75% - 100% is the level to be held.

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

I am of the opinion reserves are properly monitored.

E. Income

Precept income £40,941 (2017: £37,788)

Other income £10,580 (2017: £6,476)

The precept income was tested to remittance advice notes and cashbook, these were properly received and banked. The council tax support grant element of £1,060 of the CDC remittance has been correctly disclosed in box 3. There are no errors to report.

Other income comprises, grants, interest, advertising and VAT refunds. During the year there have been circa 25-30 receipts. The VAT of £2,057 was tested to HMRC remittance and a New Homes Bonus Grant for £6,450. I have reviewed the cashbook and was able to agree receipts to remittances and bank statements. The were no errors.

No VAT has been charged on the income as there is no requirement to register for VAT. The council minutes do show where council has agreed its annual charges; however, **I would recommend that these be published.**

In total, income has increased by £4,104 and is due in the main to increased grant funding.

I am of the opinion that income is properly recorded.

F. Petty cash

The petty has been dispensed with in year.

G. Payroll

£11,784 (2017: £7,829)

The council has two employees both part time. The payroll is processed by an external firm and is reconcilable to the annual return. I have tested the tax and national insurance deducted and these were correct, I was also able to trace the PAYE and NI payments through to the cashbook. The quarter 4 liability was paid in March and cleared by the year end.

The employees have signed contracts of employment.

Payroll rates and hours for new employee were evident in the February 2018 minutes.

The increase year on year is due to locum clerk costs, together with appointment of a clerk for a full year.

I am of the opinion that staff costs are properly disclosed on the annual return.

H. Assets and investments

Fixed Assets and Investments £26,351 (2017: £13,720)

Loan Interest/Capital £13,120 (2017: £13,120)

Total Borrowings £154,018 (2017: £160,327)

The loan and interest repayments were agreed to advice noted issued by debt management office.

The capital balance of the loan was agreed to the year end statement.

I am of the opinion that loans are correctly disclosed on the annual return.

The fixed asset register agreed to the annual return, the register lists the assets at their cost or proxy cost. The increase in assets is due to purchase amongst others of signs, and SIDs I would recommend that two columns are added to the register to show date last physically vouched and condition. This will give council a tool to ascertain if an earmarked reserve is required for eventual replacement.

I am of the opinion that fixed assets are properly disclosed on the annual return.

I. Bank reconciliations

Bank & Cash Balances £73,670 (2017: £77,040)

At the year-end date the council had a reconciled bank position which has been approved by council in the May 2018 meeting.

I have reviewed the reconciliation there are two bank accounts none of these are long term investments and they are therefore correctly disclosed.

There were £1,558.30 of outstanding payments, none of which are aged. All outstanding cheques cleared after date.

A review of the cashbook control showed this to agree to the annual return and underlying receipts and payments analysis.

I am of the opinion that bank and cash balances are properly shown 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 boxes 3 , 4, 6 & 9.

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 are ready for submission to the external auditor.

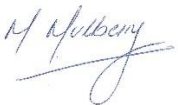
K. Trusteeship

No Trust.

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

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

Mark Mulberry