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Our Ref: MARK/RUD001

Mrs J Foote
Rudgwick Parish Council
Rudgwick Village Hall
Bucks Green
Rudgwick
West Sussex
RH12 3JJ

15th May 2019

Dear Jonna

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

Following completion of our interim internal audit on the 5th December 2018 and year-end audit on 15th 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 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.

Interim Audit – Summary Findings
At the interim visit we reviewed and performed tests on the flowing areas:

- Review of the Financial Regulations and 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 Rudgwick 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 would like to thank Jonna for her assistance and whilst my report contains recommendations to change these are not indicative of any failings, but rather are pointers to improving upon an already well ordered system.

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The Council continues to uses RBS as a day to day accounting package, this is a tried and tested industry specific package and I make no recommendation to change in this system. The RBS system is used at least fortnightly to report on and record the financial transactions of that of the Council. There are two users with a shared logon.

- Clerk - Financial oversight, budgeting, reporting to council
- Assistant Clerk - is responsible for the purchase & sales ledger, cashbook and bank reconciliations.

Every month, the bank reconciliation is printed. No other reports are printed. This is not sufficient for councillors to be able to make any informed decisions about the finances**.** It was noted that the clerk manually copies the financial data into a table in the minutes this duplicates the information already in RBS. **I recommend that as a minimum the cash book and the income & expenditure against budget are printed.**

I tested opening balances as at 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18.

I also tested the ability to locate underlying records from the cashbooks and vice versa.

The Council is not VAT registered and the last VAT reclaim was for period ended 31st March 2018. The council completes an annual reclaim – this is in accordance with regulations, **but I would recommend a more frequent time period as this is council money.**

Overall, I have the impression that the accounting systems are well ordered and routinely maintained and as such 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 2017/18. This was reported to council in October 2017 2018 - Minute Number 153/18. Evidence was also noted in the minutes of the 11th June Minute Number 76/18 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 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 required by law to follow the 2015 Transparency Code, a review of the web site has shown that this is being followed. I remind council that it only needs to publish expenditure over £500.

Confirm that the Council is compliant with the GDPR.

The council is aware of the GDPR. It was noted the Council is introducing 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.

Confirm that the Council meets regularly throughout the year
The council has the following committees:

- Full Council; meets circa monthly
- Planning; via Horsham DC & full council
- Finance, Policy & Human Resources ; meets two times per annum
- Halls & Recreation; meets circa two times per annum

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 clerk was able to demonstrate that at least 3 clear days' notice is given on both web site and hard copy agendas. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting. **I remind council it is required where necessary to also post the supporting documentation with the agendas so that members of the public and other interested parties have the same amount of time to review before the meeting.**

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. These could be agreed to the hard signed copies.

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 are dated May 2018.

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations.
Financial regulations are based on the NALC model and are dated May 2018. 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.

The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is as listed below.

- £60,000 + Tender Process
- £3,000 - £60,000 3 quotations are required.
- £100 - £3,000 – strive to get 3 estimates
- 0 - £100 – power to spend

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. It is noted that the thresholds for authority to spend at para 4.1 are as follows:

- Over £5,000 – prior approval by full council

- £500 - £5,000 - prior approval by delegated committee
- £0 to £500 – discussion with chair

I would recommend at next review council consider these thresholds to allow space for Clerk to order goods and services before speaking to chairman or committee

- **Over £5,000 – prior approval by full council**
- **£1,000 - £5,000 - prior approval by delegated committee**
- **£500 – £1,000 - discussion with chair**
- **£0 to £500 – Authority to spend within budget heading**

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations.

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit, debit card (£500) and on-line banking. Cheques must be signed by two individuals.

I discussed the purchasing system with the RFO vis-à-vis financial regulations 4, 5 & 6 and ascertained that the regulations are being followed at a local level as described below:

1. Regular and recurring expenditure (rent, rates, wages, light & heat, contractual spend etc.) is known and authorised in advance (budget setting or tender process). These are, in the main, paid via direct debit, standing order or on-line banking.

2. An ad hoc expenditure requirement is identified and noted to the clerk/RFO – this can be from a number of sources and depending on the financial amount will discussed in advance with council, committee or chair. If required, this is approved in advance by council committee before the expenditure incurred. My audit testing showed via the minutes that there is where appropriate discussion of expenditure before the orders are placed.

3. The order is made via the office – councillors are not allowed or permitted to place amend or vary orders.

4. The supplier invoice, when received, is reviewed by the clerk this is then batched and a payment slip attached.

5. Councillors invited to attend the office to sign the attached payment slip

6. Payments under £500 made weekly, payments over £5,000 taken to council for prior approval.

7. The payments are made by on-line banking. The clerk sets up the payment and the councillors authorise. This is a dual access system and as such the originator cannot authorise the same transaction. This is a natural segregation of duties. All payments are required to be authorised by three people, the originator (clerk) being one of them. The same applies to cheques; the clerk and two councillors. (There are three councillors that are registered as signatories)

8. The approved paid supplier invoices are posted to the financial reporting package.

9. Manual Payments list produced and taken to council for approval and noting in the minutes. **I would recommend this list is drawn from RBS to save duplication of work.**

Financial regulation 7 deals with approval and authorisation of salaries, the minutes and files show evidence of authorisation of changes and of wages generally.

Year-end audit
Some additional sample testing was conducted, and progress against the recommendations of the interim report is included in the table at the end of this report.

It is pleasing to note that all recommendations have been actively considered, and noticeable progress made in most instances. The Clerk demonstrates a keenness to adopt more efficient systems and procedures and has sought additional support to fulfil these requirements.

In addition to the points previously raised, **I would recommend a thorough review of the RBS cost codes currently in place, as there appear to be an excessive number for a council of this size.**

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.86 per elector.
The council has one payment – this is below the thresholds.

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.

C. RISK MANAGEMENT & INSURANCE (INTERIM & FINAL AUDIT)

Interim Audit
The Council undertakes a full risk assessment that covers operational and financial risks, this was taken to council in December 2018. The simplified nature of the assessment is entirely fit for purpose 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.

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 2019-20 budget and precept setting process was underway at the time of our interim audit, with all precepting authority deadlines achievable. A review of the minutes shows discussion and agreement of the same.

As at 30th October total reportable income was £89,755 (Annual Budget £90,972), and expenditure £92,408 (annual budget £92,258). It is clear, in terms of income the council under budgeted for the 2018/19 council year and the expenditure will be over budget due to the King George V Building. The 2019/20 budget has been amended to take into account more accurate actuals as is manifest from 2018/19.

At the end of October, the council had combined bank balances of £140k of which £103k is earmarked, leaving £37k as a general reserve. The rule of thumb calculation is that a council should have 50% of precept, as adjusted for local conditions, in general reserve by the year end; however out of the £37k general reserve at the interim audit date it is estimated that £35k will be spent on running costs before the year end. It is clear therefore clear the general reserve will be too low at the year end and is in danger of putting the council into financial distress. Council is reminded that the general reserve cannot be negative.

I have reviewed the list of earmarked reserves and note that some of these can be reallocated (with council discussion and permission) back to general reserve. **I recommend reserves are reviewed as a matter of urgency as it appears that council will run of money before the year end.**

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.

Year-end audit
Reserves Carried Forward £122,357 (2018: £152,334)

At year-end, the council has earmarked reserves totalling circa £95,000, including for Neighbourhood Plan (£14,000), traffic calming (£5,000), roof repairs (£1,000), general repairs (£550), burial ground (£19,000), Churchman's Meadow (£4,000), Foxholes (£4,000).

This leaves a general reserve of circa £30,000. Further to the recommendations made during the internal audit, this has been supplemented by a review of the existing earmarked reserves and the council has also budgeted to add £20,000 to the general reserve during 2019/20, to bring the total to circa £50,000.

Given the recent significant projects undertaken by the council **I would recommend the council review its business plan and prepare a three year budget plan to support this to ensure sufficient general and earmarked reserves are in place to support the council's plans**.

E. INCOME (INTERIM & FINAL AUDIT)

Interim Audit
The council has various streams of income:

- Precept
- Rentals – rooms.
- Grants
- Interest

Both tranches of precept have been received. The council last reviewed its room rental charges in October 2018. Audit testing showed that fees charged per the sales ledger agree to the annual charges sheet or lease documentation as appropriate.

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

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.

Year-end audit
Precept £73,040 (2018: £66,884)
Other income £63,658 (2018: 44,264)

The precept figure was verified against remittance advices and correlating entries on the bank statement. There is no Council Tax Support Grant (CTSG).

Other income was sampled against remittance advices and corresponding bank statement entries. There were no errors found.

F. PETTY CASH (INTERIM AUDIT)

The council has no petty cash.

G. PAYROLL (INTERIM & FINAL AUDIT)

Interim Audit

The council uses an external firm to calculate the tax and national insurance. 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.

Monthly PAYE and NI deductions and returns have been submitted online, on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review. The PAYE and NI liability for October 2018 was paid on 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.

Year-end audit

Staff costs £41,211 (2018: £32,692)

Staff salaries were verified against payroll records and agreed to figure in box 4 of the AGAR.

H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)

Interim Audit

The Council has a fixed asset register in place. Assets are correctly stated at historic or proxy cost. 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. **If I had any comment, I would recommend the assets are grouped together to make identification easier and the register simpler to read.** This recommendation has been taken on board and the Clerk is in the process of reviewing and simplifying the asset register.

- **Land and building assets**
- **Street furniture assets**
- **Council office assets**

The Council does not hold any long term investments i.e. over 1 year. Any addition to the asset register is normally with a cost value greater than £1,000.

I am of the opinion that the control objective of "Asset and investments registers were complete and accurate and properly maintained" has been met.

Year-end audit

Fixed assets and investments £1,800,204 (2018: £764,701)

The increase in the asset register is due to a new building circa £1million. The figure entered on the AGAR was verified against the asset register.

I. BANK & CASH (INTERIM & FINAL AUDIT)

Bank and cash balances £122,357 (2018: £152,334)

The council has four 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. However, it is noted that some of the bank and cash investments could be invested elsewhere to obtain a greater return.

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 and payments basis, with no requirement of a box 7 and 8 reconciliation.

The 2017/18 AGAR carry forward figure did not agree with the RBS carry forward figure, due to an unrepresented cheque. This error was not picked up in the year-end audit completed by the previous internal audit company. An adjustment has been made on the AGAR to reflect the correct entries, and the RBS carry forward figure is now correct compared to the AGAR.

Otherwise, the annual return correctly casts and cross casts and the comparatives have been correctly copied over from the 2017/18 annual return. There are no rounding errors on the accounting statement.

The variance analysis has been completed for the relevant boxes with adequate explanations provided for the differences where required.

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 (INTERIM AUDIT)

The council is sole managing trustee for King George's Field Rudgwick 1082090. The charity MUST have its own bank account into which it receives charitable funds. The parish council is NOT allowed to received charitable funds, these must be paid direct into the trust. At the end of the year the trust can donate surplus funds back to the parish council if the trustees so desire.

Year-end audit

Bank account in process of being opened for the trust – anticipated to be open by end of June.

L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

This new internal control objective is not active for 2018-19 financial year. However, 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	2017-18 Actual	2018-19 Proposed
Accounts approved at full council	11 June 2018	10 June 2019
Date Inspection Notice Issued and how published	14 June 2018 on website and	11 June 2019 on website and

	noticeboards	noticeboards
Inspection period begins	18 June 2018	12 June 2019
Inspection period ends	27 July 2018	23 July 2019
Correct length	Yes	Yes
Common period included?	Yes	Yes
Summary of rights document on website?	Yes - Attached to inspection announcement	Yes - Attached to inspection announcement

I am satisfied the requirements of this control objective were met for 2017-18, 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 2018-19 accounts.

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

Kind regards
Yours sincerely

A Beams

Andy Beams

Interim Audit - Points Forward

Audit Point	Audit Findings	Council comments
Books of Account	I recommend that as a minimum the cash book and the income & expenditure against budget are printed on a monthly basis along with the bank reconciliations.	As confidence has grown in the accuracy of the input information, the Clerk has started to produce this information on a regular basis. To be tested at next audit.
VAT reclaims	I would recommend a more frequent time period as this is council money.	Now moved to a quarterly return.
Governance	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."	Completed in December 2018.
Agendas	I remind council it is required where necessary to also post the supporting documentation with the agendas so that members of the public and other interested parties have the same amount of time to review before the meeting.	Now posted on website and evidenced against supporting documents for March meeting.
Financial Regulations	I would recommend at next review council consider the budgeted authority to spend thresholds to allow space for Clerk to order goods and services before speaking to chairman or committee • Over £5,000 – prior approval by full council • £1,000 - £5,000 - prior approval by delegated committee • £500 – £1,000 - discussion with chair • £0 to £500 – Authority to spend within budget heading	Amended budget authority levels as recommended by internal auditor accepted in January and reaccepted at the May meeting.
Payments List	The payments and receipts are currently manually copied into the minutes – I suggest that the RBS prints could be used to save the clerk time each month.	Planning to implement for new financial year.
Reserves	I recommend reserves are reviewed as a matter of urgency as it appears that council	Reviewed and adjustments made during the year. Budget plans for 2019/20 include an additional £20,000 to be added to general

	will run of money before the year end. I would like to see more evidence in the minutes of discussions regarding budget versus actual performance.	reserves.
Fixed Asset register	If I had any comment, I would recommend the assets are grouped together to make identification easier and the register simpler to read.	Work in progress.