



MULBERRY & CO

Chartered Certified Accountants
Registered Auditors
& Chartered Tax Advisors

9 Pound Lane
Godalming
Surrey, GU7 1BX

t + 44(0)1483 423054
e office@mulberryandco.co.uk
w www.mulberryandco.co.uk

Our Ref: MARK/STM002

Mrs A Tait
St Martha Parish Council
23 The Street
Albury
Guildford
Surrey
GU5 9AB

7th June 2022

Dear Anne

Re: St Martha Parish Council
Internal Audit Year Ended 31st March 2022

Executive Summary

Following completion of internal audit on the 7th June 2022 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. **Recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified, followed by recommended minimum testing requirements. Each section is then concluded with an opinion as to whether the assertion has been met or not.

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

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.

It is therefore our opinion that the systems and internal procedures at St Martha Parish Council are well established, and followed and that the exemption certificate can be submitted to the external auditors and the AGAR published in due course.

Regulation

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. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit’s function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.

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.

Independence & Competence

Your audit was conducted by Mark Mulberry of Mulberry & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor is a qualified practicing accountant with over 20 years’ experience as a registered statutory auditor.

Engagement Letter

An engagement letter was issued In September 2021 covering the 2021/22 internal audit assignment. Copies of this document are available on request.

Planning & Inherent Risk Assessment

The scope and plan of works including fee structure was issued to the council on the 1st September 2020 under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR.

- There have been no instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is my opinion that the inherent risk of error or misstatement is low and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be “walk through testing” on sample data to encompass the period of the council year under review.

Contents

A. BOOKS OF ACCOUNT	4
B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS ACCOUNT	4
C. RISK MANAGEMENT & INSURANCE.....	5
D. BUDGET, PRECEPT & RESERVES.....	6
E. INCOME.....	6
F. PETTY CASH	7
G. PAYROLL	7
H. ASSETS AND INVESTMENTS.....	7
I. BANK & CASH.....	7
J. YEAR END ACCOUNTS.....	9
K. LIMITED ASSURANCE REVIEW.....	11
L: TRANSPARENCY.....	11
M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS	12
N. PUBLICATION REQUIREMENTS.....	12
O. TRUSTEESHIP.....	12

A. BOOKS OF ACCOUNT**Internal audit requirement**

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

The Council continues to use excel as a day to day accounting package. The council has circa 60 transactions per annum and a simple cashbook system is entirely adequate for a council of this size.

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

I tested opening balances as at 1/4/21 and confirmed they could be agreed back to the audited accounts for 2020/21.

The Council is not VAT registered and completes an annual VAT reclaim. The claim for the 31st March 2022 has been submitted for £711.17.

Overall, I have the impression that the accounting systems are well ordered and routinely maintained and as such I make no recommendation to change.

Section Conclusion

I am of the opinion that the control assertion has been met.

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS ACCOUNT**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.

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 also sign acceptance to receive information by electronic means.

Confirm that the Council is compliant with the GDPR & accessibility regulations

As council is aware of GDPR and has a GDPR and accessibility policy on its website. It was noted the Council has common email addresses internally. A common email system such as cldr.name@stmartha..... is recommended because it gives a natural segregation 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 meets circa monthly.

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

Whilst we have not tested every single council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting. I reminded the clerk to date the agendas with the publication date.

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

Minutes are uploaded to the council website.

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 21st May 2015. **I recommend these are reviewed and updated at least annually.**

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

Financial regulations are based on the NALC model and are dated November 2017. 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.

A review of the financial regulations shows that the contents page does not accord to the detail of the report. There are also a number of square brackets manifest in the regulations which indicates that they have not been fully tailored to the council.

I recommend these are reviewed and updated at least annually per financial regulation 19.1.

Check that the council's Financial Regulations are being routinely followed.

I verified a sample of invoices to the cashbook and that they had the proper verifications and could be agreed to the physical invoice.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.41 per elector.

The council has £52.98 S.137 expenditure, this is within thresholds.

Section Conclusion

I am of the opinion that the control assertion 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.

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. The council has entered into a 5-year deal with Zurich minute ref 20/34 (April 2020)

The council has a simple risk register in place that details both operation and financial risks. This is entirely adequate for a council of this size.

Section Conclusion

I am of the opinion that the control assertion 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 2021/22 precept was approved and discussed at a full council meeting on the 7/1/21 ref 21/04. The amounts shown within the minutes agree to the AGAR. The 2022/23 precept application was approved in the January 2022 meeting.

The minutes show regular discussion of budget reports

The council has £38,942 of reserves of which £15,000 are earmarked and £23,942 are general. In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £8k.

The general reserves are quite high for a council of this size. Council needs to consider its reserves in the light of fulfilment of future projects.

All significant variances to budget were explained satisfactorily.

Section Conclusion

I am of the opinion that the control assertion 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 precept income was tested to third party evidence supplied to the auditor and has been correctly disclosed in box two of the AGAR.

All other income has been correctly shown in box 3 of the AGAR, the year-on-year movement of is below the threshold to report on the list of significant variances.

I have reviewed the income list which is broadly similar to the prior year after accounting for one of income items. I also reviewed the nominal for evidence of netting off. The individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

Section Conclusion

I am of the opinion that the control assertion 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

Section Conclusion

I am of the opinion that the control assertion has been met.

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.

The amounts shown on the AGAR agree to the underlying cashbook and payroll reports. I can confirm that only payroll costs are shown in box 4 of the AGAR.

Monthly and year-end 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.

Section Conclusion

I am of the opinion that the control assertion has been met.

H. ASSETS AND INVESTMENTS**Internal audit requirement**

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

The fixed asset register lists the assets, their cost or proxy cost together with insurance values. Assets are correctly stated at historic cost. There is a programme of rolling review by councillors.

No PWLB loans.

Section Conclusion

I am of the opinion that the control assertion 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 position. I also reviewed the after-date bank statements for evidence of March transactions to verify the cut off. There were no errors in the sample reviewed.

The March reconciliation has been signed. I am under no doubt the bank is being properly reconciled.

The council has three bank accounts with total holdings of £38,942. None of the accounts are long term investment accounts and as such do not need to be disclosed in box 9 of the AGAR.

The council does have reserve balances greater than twice the precept and as such these do need reporting to the external auditor on the list of significant variances. There is a second tab for this.

Section Conclusion

I am of the opinion that the control assertion has been met.

J. YEAR END ACCOUNTS

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

	Annual Governance Statement	<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>	YES – receipts and payments 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>	YES – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny. The council has at least two internal audits per annum. The council has up to date financial regulations
3	We took all reasonable steps to assure ourselves that there are no matters of actual 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>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	YES – the Clerk is qualified and experienced and advises the council in respect of its legal powers. There is no evidence in the accounts to show spending outside of power. The council has up to date financial regulations
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>	YES – the requirements and timescales for 2020/21 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>	YES – 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	<i>arranged for a competent person, independent of the financial controls</i>	YES – the council has appointed an independent

	accounting records and control systems.	<i>and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	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>	YES – 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>	YES – 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>	N/A

Section 2 – Accounting Statements

Agar Box Number		2020/21	2021/22	Auditor Notes	
1	Balances brought forward	32,405	35,093	Agrees to cfwd	
2	Precept or Rates and Levies	15,030	16,860	Agrees to third party evidence provided to auditor	
3	Total other receipts	470	470	Agrees to underlying records	
4	Staff costs	6,523	8,267	Agrees to underlying records	
5	Loan interest/capital repayments	0	0	Agreed no loans	
6	All other Payments	6,289	5,214	Agrees to underlying records	
7	Balances carried forward	35,093	38,942	Casts correctly	
8	Total value of cash and short term investments	35,093	38,942	Agrees to reconciliation	
9	Total fixed assets plus long term investments and assets	38,369	38,369	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	N/A	No trusts
				✓	

The year-end accounts have been correctly prepared on the receipts and payments basis with no requirement for a box 7 & 8 reconciliation. The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the prior year.

The variance analysis is required because there are no variances greater than 15% and £500.

Section Conclusion

I am of the opinion that the control assertion has been met.

K. LIMITED ASSURANCE REVIEW

Internal audit requirement

If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick “not covered”)

The council declared itself exempt in 2020/21 and 2021/22. It meets the criteria to do so.

L: TRANSPARENCY

Internal audit requirement

The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.

The council is required to follow the transparency code for smaller authorities. A review of the web site shows this information is publicly available.

Section Conclusion

I am of the opinion that the control assertion has been met.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS**Internal audit requirement**

The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require that the statement of accounts prepared by the authority (i.e. the Annual Governance & Accountability Return (AGAR) Part 2), the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records must be made available for inspection by any person interested, during a period of 30 working days set by the smaller authority and including the first 10 working days of July.

Inspection - Key date	2020/21 Actual	2021/22 Actual
Date Inspection Notice Issued and how published	25 June 2021	15 th June
Inspection period begins	28 June 2021	20 th June
Inspection period ends	6 August 2021	29 th July
Correct length	Yes	yes
Common period included?	Yes	yes
Summary of rights document on website?	Attached to inspection announcement	Attached to inspection announcement

Section Conclusion

I am of the opinion that the control assertion has been met.

N. PUBLICATION REQUIREMENTS**Internal audit requirement**

The authority has complied with the publication requirements for 2020/21 AGAR.

A review of the website and the findings above shows that the local authority has complied with the regulations in respect of publication.

Section Conclusion

I am of the opinion that the control assertion has been met.

O. TRUSTEESHIP**Internal audit requirement**

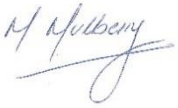
Trust funds (including charitable) – The council met its responsibilities as a trustee.

No Trusts

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

Kind regards

Yours sincerely



Mark Mulberry

Interim Audit - Points Forward

Audit Point	Audit Findings	Council comments
Reserves	The general reserves are quite high for a council of this size. Council needs to consider its reserves in the light of fulfilment of future projects.	
Significant variances	The council does have reserve balances greater than twice the precept and as such these do need reporting to the external auditor on the list of significant variances. There is a second tab for this.	