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Our Ref: MARK/LEW001

Mr S Brigden
Lewes Town Council
Town Hall
High Street
Lewes
East Sussex
BN7 2QS

24th June 2020

Dear Steve

Re: Lewes Town Council
Internal Audit Year Ended 31st March 2020

Following completion of our interim internal audit on the 10th October 2019 and our final audit on the 24th June 2020 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 recommendations from the interim visit have been answered in the table 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 following 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 Lewes Town 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.

Final Audit – Summary Finding

At the final visit we reviewed and performed tests on the following areas:

- Review of annual accounts & AGAR

- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

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 (INTERIM AUDIT)

Internal audit requirement

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

The Council continues to use Sage for recording the day to day transactions of the council. This is a tried and tested financial reporting package and is augmented with Excel for reporting to Council and I make no recommendation to change. My audit testing showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

The council has a dedicated accounts function which is overseen by the Clerk. There is one individual Finance Administration Officer responsible for the entire day to day finance function and entering all the finance details onto the Sage system, while the Clerk/RFO also has access to the system.

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 has no requirement to do so. VAT refunds were agreed to underlying working papers. There were no errors on the returns. VAT refunds are completed annually for year end, with the last refund for the period up to March 2019. The council is up to date with its postings.

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

At the interim audit date, 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)

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 and minuting of the prior year audited AGAR and notice of conclusion of audit

The external auditors report was not qualified in 2018/19. This has been reported to council and 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. Register of Members’ Interest forms are posted to the Town Council website. The councillors have also signed acceptance to receive information by electronic means.

Confirm that the council is compliant with the relevant transparency code

I note that the council is required by law to follow the 2015 Local Government Transparency Code. A review of the web site the information required is posted as required by the Code. All councils are encouraged to follow the code to provide greater transparency for the public and to reduce the potential of Freedom of Information requests.

Confirm that the council is compliant with the GDPR

The council is aware of GDPR and has undergone training. Since July, the Council has common email addresses for Councillors, 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. The council has appointed an external Data Protection Officer (DPO) and has a Privacy Notice on its website.

Confirm that the Council meets regularly throughout the year

The Council has the following committees:

- Full Council - meets 10 times per annum
- Personnel Panel – ad hoc
- Audit & Governance Panel – 4 times per annum
- Planning Committee - meets 3 weekly
- Transport Committee – ad hoc
- Commemorations Committee – ad hoc
- Working parties as and when needed

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. It was noted that the supporting documentation referred to in the agendas is also posted to the website.

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

Draft minutes are typically published on the Council website 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 and adapted for the Town Council's circumstances. They were last reviewed and adopted by Council in April 2019.

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

Financial regulations are based on the NALC model and were last reviewed and adopted by Council in April 2019. 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 at Council meetings in accordance with regulations.

Financial Regulation 5 deals with authorisation of payments. From sample checking of invoices from August 2019, minutes show authorisation of payments lists in accordance with regulations and invoices are signed by a councillor.

Financial regulation 6 deals with making payments. The council makes payments predominately online with occasional cheque payments and some direct debit payments for utilities. Cheques must be signed by two

individuals. The on-line banking system has a natural segregation of duties between the originator and authoriser of transactions, with two councillors confirming authorisation between input and release of funds.

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

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.12 per elector

The Council has the General Power of Competence (GPC) and does not have 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.

At interim audit date, 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.

Final Audit

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items.

At the year-end date the council has £76,475 of creditors (2019: £28,559)

- | | | |
|-----------------------|---------|-----------------|
| • Purchase ledger | £38,475 | (2019: £22,861) |
| • Receipts in advance | £0 | (2019: £3,698) |
| • Accruals | £38,000 | (2019: £0) |

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 (INTERIM AUDIT)

Internal audit requirement

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

Interim Audit

The Council undertakes a full risk assessment that covers operational and financial risks. This was last reviewed by Council in June 2019 and this is noted in the Council minutes.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Employers’ Liability is set at £10 million, Public Liability £15 million and Fidelity Guarantee £500,000. This amount should be kept under review to ensure it is maintained at an appropriate level.

At the interim audit date, 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.

Final Audit

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 (INTERIM & FINAL AUDIT)

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.

Interim Audit

I confirmed that the 2020/21 budget and precept setting process is about to start. A visioning exercise is also being planned to support this and prioritise projects. The budgeting process includes background papers illustrating historic references and assumptions moving forward and is very detailed.

The Council has a general reserve of circa £135,000 in addition to earmarked reserves totalling circa £850,000. The level of general reserve is lower than might normally be expected, but this has been recognised by the Council and plans are in place to add £50,000 per year to the general reserve to return it to the £400,000 level the Council normally works to.

At the interim audit date, 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.

Final Audit

The council has £1,712,251 (2019: £994,506) of total reserves of which £1,489,788 (2019: £858,653) are earmarked and £222,463 (2019: £135,853) are general reserves. 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 £545k.

The council has robust cash flow reporting and I note the general reserve is much increased in the prior year but this still remains low for a council of this size.

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 (INTERIM & FINAL AUDIT)

Internal audit requirement

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

Interim Audit

Other than the precept, the Council has the following streams of income:

- Hire of halls/rooms at various sites

- Allotment rents
- Flat rental
- Other minor miscellaneous income

Hire and rental fees are reviewed annually as part of the budget setting process.

The precept has been fully received and verified to remittance advices and the bank statement. The Council Tax Support Grant (CTSG) is appropriately accounted for.

At the interim audit date, 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.

Final Audit

The precept income was tested to third party evidence supplied to the auditor and has been correctly shown in box 2. I have amended box 2 & 3 for £1 rounding that the external auditor would otherwise comment on.

At the year-end date the council has £56,496 of debtors (2019: £49,893)

- VAT £48,624 (2019: £35,983) - error see note 14 not 16 page 11 of accounts
- Sales Ledger £7,872 (2019: £13,910)

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 (INTERIM AUDIT)

Internal audit requirement

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

The council has a small float of £500 balanced as necessary. It is used for small items which seem entirely appropriate. The authorisation process is signed off by the Clerk.

At the interim audit date, I am of the opinion the control objective of “Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.”, has been met.

G. PAYROLL (INTERIM & FINAL AUDIT)

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.

Interim Audit

The Council uses Sage payroll and completes all aspects of payroll internally. Employees are paid with reference to NJC salary scales.

At the interim audit date, 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.

Final Audit

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. There were no errors recorded or late payments to HMRC during the financial year under review. The PAYE and NI liability for March 2020 was paid after date.

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 were paid allowances in June via the payroll.

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 (INTERIM & FINAL AUDIT)

Internal audit requirement

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

Interim Audit

The Council has a fixed asset register which documents its assets correctly stated as historic or proxy cost. The register contains geo-tags for externally located assets along with other detailed information.

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

Final Audit

The loan interest and capital repayments were agreed to PWLB debt management letters and the closing balance to the end of year statement letter. There were no errors.

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.

I. BANK & CASH (INTERIM & FINAL AUDIT)

Internal audit requirement

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

Interim Audit

At the interim audit date the council had a reconciled bank position which has been signed in accordance with Financial Regulations and signed off at the Audit Panel meeting. I have reviewed the reconciliation and there were no errors.

The Council reports quarterly on performance against budget. The confirmed quarter 1 information show the Council on track against projected income and expenditure, and through discussion with the Clerk, it is anticipated the quarter 2 position will be similar.

At the interim audit date, 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.

Final Audit

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation there were both outstanding payments and outstanding lodgements.

The council has two active bank accounts, together with petty cash. 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

	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 – 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>	YES – 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 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 experienced and advises the council in 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>	YES – 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>	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 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>	YES – 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	<i>responded to matters brought to its attention by internal and external audit.</i>	YES – where matters are raised, action taken by council

	audit.		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>	Yes – the council has met its responsibilities

Section 2 – Accounting Statements

Agar Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	761,420	994,506	Agrees to 2019 cfwd
2	Precept or Rates and Levies	1,036,301	1,093,813	Agrees to third party evidence provided to auditor subject to £1 rounding
3	Total other receipts	259,953	818,287	Agrees to underlying records - subject to £1 rounding
4	Staff costs	489,156	505,769	Agrees to underlying records
5	Loan interest/capital repayments	10,056	10,056	Agreed no loans
6	All other Payments	563,956	678,530	Agrees to underlying records
7	Balances carried forward	994,506	1,712,251	Casts correctly agrees to balance sheet (subject to £ rounding)
8	Total value of cash and short term investments	938,081	1,724,477	Agrees to reconciliation
9	Total fixed assets plus long term investments and assets	3,236,060	3,236,060	Agrees to register
10	Total borrowings	44,577	636,437	Agrees to third party evidence provided to auditor
11	For Local Councils Only) Disclosure note re Trust funds (including charitable)	YES	NO	Completed
		✓		

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 £500. This has been 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 Lewes Town Council Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts to approved at full council	20 th June 2019	30 th July
Date Inspection Notice Issued and how published	21 st June	31 st July
Inspection period begins	24 th June	10 th August
Inspection period ends	2 nd August	21 st September
Correct length	Yes	yes
Common period included?	Yes	yes
Summary of rights document on website?	Attached to inspection announcement	Attached to inspection announcement

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.

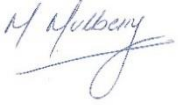
M. TRUSTEESHIP (INTERIM AUDIT)**Internal audit requirement**

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

The Council has the Town Brook Trust, where it operates as the sole managing trustee. Where necessary separate meetings are held and the Clerk monitors this. Accounts and returns are up to date with the charities commission.

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