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Our Ref: MARK/EAS006

Mrs T Glithero
East Wittering & Bracklesham Parish Council
Bracklesham Barn
Beech Avenue
Bracklesham Bay
PO20 8HU

16 May 2023

Dear Tracey

**Re: East Wittering & Bracklesham Parish Council
Internal Audit Year Ended 31 March 2023 – Year-End Audit report**

Executive summary

Following completion of our year-end internal audit on 16 May 2023 we enclose our report for your kind attention and presentation to the council. This report should be considered alongside the interim audit report issued following our interim audit on 18 October 2022. The audits were 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.

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. Testing requirements follow those detailed in the audit plan previously sent to the council, a copy of this is available on request. The report concludes with an opinion as to whether each assertion has been met or not. Where appropriate **recommendations for action are shown in bold text and are summarised in the table at the end of the report.**

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, 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 seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at East Wittering & Bracklesham Parish Council are well established and followed.

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 and competence

Your audit was conducted by Andy Beams of Mulberry & Co, who has over 30 years' experience in the financial sector with the last 13 years specialising in local government.

Your auditor is independent from the management of the financial controls and procedures of the council and has no conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Engagement Letter

An engagement letter was previously issued to the council covering the 2022/23 internal audit assignment. Copies of this document are available on request.

Planning and inherent risk assessment

The scope and plan of works including fee structure was issued to the council 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. As part of the inherent risk assessment, we have concluded that:

- There have been no reported 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 our 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.

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Interim Audit - Points Carried Forward

| Audit Point | Audit Findings | Council comments on actions taken since interim visit |
|----------------------|--|--|
| BANK AND CASH | While the balance remains in excess of £85,000, this does represent a potential risk to the council. | |

B. FINANCE REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

This authority complied with its Finance Regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

Audit findings

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

Sample testing of invoices and payments was completed at the interim audit, and I am satisfied that the council continues to follow its adopted Financial Regulations.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.82 per elector.

The council has adopted the General Power of Competence (GPC) and the section 137 thresholds do not apply. The council is reminded that after each scheduled election, the council must declare its eligibility and re-adopt the GPC, recording this within the minutes of the meeting.

Confirm that checks of the accounts are made by a councillor.

The system noted above, and the interim internal audit checks, detail internal review takes place, and I am under no doubt that council properly approves expenditure.

C. RISK MANAGEMENT AND INSURANCE

Internal audit requirement

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

Audit findings

We discussed assertion 8 on the Annual Governance Statement and whether 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."

The Clerk confirmed that they were not aware of any event having a financial impact that was not included in the accounting statements.

D. BUDGET, PRECEPT AND 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.

Audit findings

The accounting records show that the council ended the year with income reported as 114.8% of budget and expenditure reported as 79.5% of budget.

At the end of the financial year, the council held circa £320,00 in earmarked reserves (EMR), spread across a range of clearly identifiable projects. I checked the purpose of these EMRs with the Clerk and am satisfied they are all for legitimate future planned projects of the council.

The council also held £89,613 in the general reserve at the end of the financial year.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide states *'the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure'* (para 5.33).

The general reserve balance is within the recommended range.

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.

Audit findings

I reviewed the total figure being included within box 4 (staff costs) on the Annual Governance and Accountability Return (AGAR) and confirmed that this includes only salary payments, HMRC payments and pension contributions.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

I confirmed the asset register total matches that included in box 9 (total fixed assets plus long term investments and assets) on the AGAR and was able to trace the changes to the previous year's total against the asset register.

The council has a Public Works Loan Board (PWLB) loan for the purchase of Booker Green. I was able to confirm the year-end loan balance and in year capital and interest repayments against the PWLB year-end statement.

The council has no long-term investments.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

I reviewed the March 2023 bank reconciliation and was able to confirm the balances to the bank statements and found no errors.

As noted at the interim audit, the council retains all balances in a single account and would benefit from the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) by opening alternate account(s) with other finance providers.

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.

Audit findings

The council, at its meeting to sign off the year-end accounts, must discuss Section 1 of the AGAR (Annual Governance Statement) and record this activity in the minutes of the meeting. **COUNCIL IS REMINDED THAT THIS MUST BE A SEPARATE AGENDA ITEM PRIOR TO THE SIGNING OF SECTION 2 OF THE AGAR (ANNUAL ACCOUNTS).**

Section 1 – Annual Governance Statement

Based on the internal audit finding I recommend using the table below as the basis for that discussion.

| | 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 – 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 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 2021/22 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. |
| 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 – matters raised in internal and external audit reports have been addressed. |
| 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 its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i> | N/A – the council has no trusts |

Section 2 – Accounting Statements

| AGAR box number | | 2021/22 | 2022/23 | Internal Auditor notes |
|-----------------|--|-----------|-----------|--|
| 1 | Balances brought forward | 473,792 | 498,819 | Agrees to 2021/22 carry forward (box 7) |
| 2 | Precept or rates and levies | 154,700 | 166,000 | Figure confirmed to central records |
| 3 | Total other receipts | 102,406 | 76,528 | Agrees to underlying records |
| 4 | Staff costs | 61,938 | 76,519 | Agrees to underlying records |
| 5 | Loan interest/capital repayments | 1,834 | 1,834 | Verified against PWLB records |
| 6 | All other payments | 168,307 | 253,206 | Agrees to underlying records |
| 7 | Balances carried forward | 498,819 | 409,788 | Cast correctly and agrees to balance sheet |
| 8 | Total value of cash and short-term investments | 504,590 | 406,459 | Agrees to bank reconciliation |
| 9 | Total fixed assets plus long-term investments and assets | 1,739,096 | 1,767,029 | Matches asset register |
| 10 | Total borrowings | 22,447 | 21,616 | Verified against PWLB records |
| 11a | Disclosure note re Trust Funds (including charitable) | N/A | NO | No – the council is not a sole trustee |
| 11b | Disclosure note re Trust Funds (including charitable) | | N/A | N/A – the council is not a sole trustee |

Audit findings

The year-end accounts have been correctly prepared on an income and expenditure basis with the box 7 and 8 reconciliation explained using the accounting records. I tested the debtors, creditors and accruals with the Clerk and am satisfied that these are all legitimately posted to the accounts.

The AGAR correctly casts and cross casts and last year's comparatives match the figures submitted for 2021/22.

The variance analysis has been completed to explain the variances exceeding 15% where required, and in my opinion, contains sufficient narrative and quantitative information for the External Auditor.

K. LIMITED ASSURANCE REVIEW**Internal audit requirement**

IF the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2021/22 AGAR tick "not covered")

Audit findings

The council did not certify itself exempt in 2021/22 due to exceeding the income and expenditure limits and this test does not apply.

L: PUBLICATION OF INFORMATION**Internal audit requirement**

The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation

Audit findings

This internal control objective has changed since last year. Where previously it related to the relevant Transparency Codes, a council with annual turnover exceeding £25,000 was recommended to follow the Local Government Transparency Code 2015, but it was not a statutory requirement.

All councils are required to follow The Accounts and Audit Regulations which include the following requirements:

13(1) An authority must publish (which must include publication on that authority's website)

- (a) the Statement of Accounts together with any certificate or opinion entered by the local auditor in accordance with section 20(2) of the Act; and
- (b) the Annual Governance Statement approved in accordance with regulation 6(3)

13(2) Where documents are published under paragraph (1), the authority must

- (a) keep copies of those documents for purchase by any person on payment of a reasonable sum; and
- (b) ensure that those documents remain available for public access for a period of not less than five years beginning with the date on which those documents were first published in accordance with that paragraph.

I was able to confirm that pages 4 (Annual Governance Statement), 5 (Accounting Statements) and 6 (External Auditor's Report and Certificate) of the AGAR are available for review on the council website for the last five years.

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

The authority has demonstrated that during summer 2022 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Audit findings

| Inspection – key dates | 2021/22 Actual | 2022/23 Proposed |
|--|----------------|------------------|
| Date AGAR signed by council | 9 June 2022 | 8 June 2023 |
| Date inspection notice issued | 10 June 2022 | 9 June 2023 |
| Inspection period begins | 13 June 2022 | 12 June 2023 |
| Inspection period ends | 22 July 2022 | 21 July 2023 |
| Correct length (30 working days) | Yes | Yes |
| Common period included (first 10 working days of July) | Yes | Yes |

I am satisfied the requirements of this control objective were met for 2021/22, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council.

I was able to confirm that the proposed dates for 2022/23 meet the statutory requirements.

Achievement of control assertions at year-end audit date

Based on the tests conducted during the year-end audit, our conclusions on the achievement of the internal control objectives are summarised in the table below and are reflected in the completion of the Annual Internal Audit Report within the AGAR.

| | INTERNAL CONTROL OBJECTIVE | YES | NO | NOT COVERED |
|---|---|-----|----|-------------|
| A | Appropriate accounting records have been properly kept throughout the financial year | ✓ | | |
| B | This authority complied with its Finance Regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for | ✓ | | |
| C | This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these | ✓ | | |
| D | The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate. | ✓ | | |
| E | Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for | ✓ | | |
| F | Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for | ✓ | | |
| G | Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied. | ✓ | | |
| H | Asset and investments registers were complete and accurate and properly maintained. | ✓ | | |
| I | Periodic bank account reconciliations were properly carried out during the year. | ✓ | | |
| J | 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. | ✓ | | |
| K | If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")</i> | | | ✓ |
| L | The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation | ✓ | | |
| M | The authority, during the previous year (2021-22) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> . | ✓ | | |
| N | The authority has complied with the publication requirements for 2021/22 AGAR. | ✓ | | |
| O | Trust funds (including charitable) – The council met its responsibilities as a trustee. | | | ✓ |

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

Yours sincerely



Andy Beams
For Mulberry & Co

Year-End Audit - Points Carried Forward

| Audit Point | Audit Findings | Council comments |
|----------------------|--|-------------------------|
| BANK AND CASH | As noted at the interim audit, the council retains all balances in a single account and would benefit from the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) by opening alternate account(s) with other finance providers. | |



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Our Ref: MARK/EAS006

Mrs S Tate
East Wittering & Bracklesham Parish Council
Bracklesham Barn
Beech Avenue
Bracklesham Bay
PO20 8HU

18 October 2022

Dear Sam

**Re: East Wittering & Bracklesham Parish Council
Internal Audit Year Ended 31 March 2023 – Interim Audit report**

Executive summary

Following completion of our interim internal audit on 18 October 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.

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. Testing requirements follow those detailed in the audit plan previously sent to the council, a copy of this is available on request. The report concludes with an opinion as to whether each assertion has been met or not at the interim audit. Where appropriate **recommendations for action are shown in bold text and are summarised in the table at the end of the report.**

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, 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 seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at East Wittering & Bracklesham Parish Council are well established and followed.

Regulation

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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 and competence

Your audit was conducted by Andy Beams 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 has over 30 years' experience in the financial sector with the last 12 years specialising in local government.

Engagement Letter

An engagement letter was previously issued to the council covering the 2022/23 internal audit assignment. Copies of this document are available on request.

Planning and inherent risk assessment

The scope and plan of works including fee structure was issued to the council 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. As part of the inherent risk assessment, we have concluded that:

- There have been no reported 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 our 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.

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| J | YEAR END ACCOUNTS | | ✓ | 7 |
| K | LIMITED ASSURANCE REVIEW | | ✓ | 8 |
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| | ACHIEVEMENT OF CONTROL ASSERTIONS AT INTERIM AUDIT DATE | | | 10 |
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A. BOOKS OF ACCOUNT

Internal audit requirement

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

Audit findings

The interim audit was conducted remotely. The Clerk prepared and forwarded the requested information for review, prior to a telephone conversation to discuss any outstanding issues. Other information was reviewed through discussion with the Clerk and a review of the council website www.ewbpc.org.uk

The council continues to use the Rialtas Business Solutions (RBS) software accounting package for recording the day-to-day financial transactions of the council. This is a tried and tested industry specific package and I make no recommendation to change. The system is used regularly to record transactions and produce management information reports for consideration by council.

Meeting agendas are logically structured and minutes show clear resolutions being made by committee and council. I make no recommendation to change this system.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

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.

Audit findings

Check the publication and minuting of the prior year audited AGAR and notice of conclusion of audit.

The External Auditor's Report for 2021/22 was qualified, stating 'During our review we noted that figures in boxes 3 and 9 for the comparative column did not match those shown on the 2020-21 Return following our review and certification in 2021. Whilst the change was not significant, the Council was required per paragraph 2.9 of the Practitioners Guide to insert 'RESTATED' at the top of the comparative column on the 2021-22 return to draw attention to any changes as well as providing a specific explanation for them'.

This has been published on the council website along with the Notice of Conclusion of Audit and was reported to council at the October 2022 meeting.

I note that internal audit reports are reviewed by council and have been published on the council website.

Confirm by sample testing that councillors sign statutory office forms

confirmed by sample testing that councillors sign "Acceptance of Office" forms. The council website provides details of the councillors and includes their individual Register of Members Interests Forms.

Confirm that the council is compliant with the relevant transparency code

As the council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so. A review of the council website shows that the council is following the spirit of the code and is publishing information in a transparent manner.

Confirm that the council is compliant with GDPR

The council is fully aware of GDPR and has undergone training. It was noted the council has established common email addresses for all councillors. This is recommended because it gives a natural segregation between work and personal lives, making it clear beyond doubt in what capacity a councillor is acting. In addition to this it 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 a Privacy Notice its website, and it is clear the council has made every effort to comply with the website requirements.

Confirm that the council meets regularly throughout the year

In addition to full council, the council has a committee structure in place. Dates of future meetings are published on the council website along with historic agendas and 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 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. Within the agendas, I note that there are hyper-links to non-confidential supporting documents which provides full transparency for both councillors and members of the public.

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

Minutes are routinely 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 current NALC model and were last reviewed and adopted by council at the Annual Council Meeting in May 2022 (minute ref 22.52).

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

Financial Regulations are based on the current NALC model and were last reviewed and adopted by council at the Annual Council Meeting in May 2022 (minute ref 22.52). The regulations 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.

The council has thresholds in place at which authorisations to spend must be obtained as below:

FR 4.1. Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:

- the council for all items over £5,000;*
- a duly delegated committee of the council for items over £1,000; or*
- the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below £1,000.*

Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk, and where necessary also by the appropriate Chairman.

Contracts may not be disaggregated to avoid controls imposed by these regulations.

FR 4.5. In cases of extreme risk to the delivery of council services, the clerk may authorise revenue expenditure on behalf of the council which in the clerk's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £1,000. The Clerk shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.

Based on the level of financial activity of the council, these authorisation thresholds appear appropriate.

I reviewed the nominal ledger entries for the year to date and am satisfied that sufficient narrative descriptions are entered into the accounting package and amounts are allocated to the correct nominal codes. There was no evidence of 'off setting' of income against expenditure.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.82 per elector.

The council has adopted the General Power of Competence (GPC) and the thresholds do not apply.

Check receipt of VAT refund matches last submitted VAT return.

The council submits its VAT return on a quarterly basis. I reviewed the submission for the period 1 April to 30 June 2022 which showed a refund amount due of £8,528.35. Amounts for reclaim were supported by the RBS accounting records.

Confirm that checks of the accounts are made by a councillor.

The system noted above details internal review takes place and I am under no doubt that council properly approves expenditure.

C. RISK MANAGEMENT AND INSURANCE

Internal audit requirement

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

Audit findings

The council has a risk assessment process in place which was most recently reviewed and approved by council at the Annual Council Meeting in May 2022 (minute ref 22.54). I reviewed the financial risk assessment record, which breaks down the risks into categories and details the existing procedures in place to mitigate the risks. All financial risks typical for a council of this size are addressed in the document, which is a suitable approach for a council of this size.

I confirmed that the council has a valid insurance policy in place with RSA which expires on 31 May 2023. The policy includes Public Liability cover of £15 million, Employers Liability cover of £10 million and a Fidelity Guarantee level of £6000,000 which is sufficient for a council of this size.

D. BUDGET, PRECEPT AND 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.

Audit findings

The council set a precept of £166,000 for 2022/23. With a tax base of 2,253.2, this equates to a band D equivalent of £73.67 (compared to the average in England of £74.81).

The Clerk confirmed that the 2023/24 budget setting process is scheduled to begin in November once the indicative tax base information is received. A first draft budget will be reviewed at the council meeting in November, with the aim to agree the budget and precept at the December 2022 council meeting, although there is another meeting scheduled for January 2023 if required.

The Clerk presents the budget performance information at council meetings for review, and this is evidenced within the minutes of meetings. At the end of September, reported income was 96.6% of budget (including the second part of the precept) and reported expenditure was 40.3% of budget.

To support the RBS accounting records, the Clerk provides a narrative providing additional analysis of income and expenditure by cost centre, which provides councillors with a wider perspective on the council's overall performance.

I have no doubt that councillors are provided with sufficient information to make informed financial decisions.

The council holds circa £349,000 in earmarked reserves These are split between a variety of future planned projects, including ring-fenced amounts earmarked for Community Infrastructure Levy (CIL) spending and New Home Bonus (NHB).

In addition, at the start of the financial year, the council held circa £134,500 on the general reserve.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide states '*the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure*' (para 5.33). The general reserve balance is within this range, but I recommend the council keeps this level under review.

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.

Audit findings

Apart from the precept, the council budgets to receive income from a range of sources, including venue hire charges (including regular, ad-hoc and wedding hirers), cinema income, land rental, open space hire and youth activity income.

A review of the nominal ledger report shows that income is entered into the system with sufficient narrative detail to identify the source of the income, and amounts appear to have been entered to the most appropriate nominal code.

Fees and charges were reviewed and approved by council at the October 2022 meeting.

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.

Audit findings

The council maintains a small petty cash float, used for incidental expenditure. A review of the petty cash book reconciliations shows minimal use, and the Clerk confirmed it is mainly for paying the handyman. The council has a debit card which is used now for small items which previously may have gone through petty cash.

As the interim audit was conducted remotely, I was unable to physically check the petty cash balance but, based on previous on-site visits, I am content that it is properly managed

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.

Audit findings

The council uses an external company to provide payroll services. The external provider completes all the PAYE and NI calculations and provides the information to the council to make the salary and HMRC payments.

There are two employees who have a signed contract of employment, based on the NALC model, and the council is registered with the West Sussex County Council (LGPS) Pension scheme.

A review of the August and September payroll information shows that deduction amounts appear to be correct, and the council is up to date with its HMRC and pension payments.

I reminded the Clerk that only salary, HMRC and pension payments should be included in box 4 on the Annual Governance and Accountability Return (AGAR) and any other staff costs should be recorded in box 6.

There are no councillor allowances.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

The council has a fixed asset register in place, which includes details of date of acquisition, supplier, original cost or proxy cost, useful life estimate, location, present use, custodian, usage, current value, charge for use (where applicable, date of disposal, insurance value and any supporting notes.

This is a comprehensive approach for a council of this size.

A check of the register to ensure it is up to date and matches the AGAR information will be completed at the year-end audit.

The council has two PWLB loans which were taken out for a land purpose. Confirmation of the repayments and year-end balances will be checked at the year-end audit.

The council has no long-term investments.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

Financial Regulation 2.2 states 'On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman shall be appointed to verify bank reconciliations produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council'.

Bank reconciliations are completed monthly. I reviewed the reconciliations for July, August and September. I found no errors and was able to confirm the balance to the bank statements.

The Clerk confirmed that the reconciliations and statements are signed at council meetings in accordance with the Financial Regulations.

I note that funds remain on one single bank account, and balances exceed the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS). Previous internal audit reports have commented on this, and the Clerk confirmed it remains the intention to open additional bank accounts, although the process for doing so has been cumbersome. **While the balance remains in excess of £85,000, this does represent a potential risk to the council.**

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.

Audit findings

Testing to be conducted at final audit.

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")

Audit findings

Testing to be conducted at final audit.

L: TRANSPARENCY**Internal audit requirement**

If the authority has an annual turnover not exceeding £25,000, it publishes information on a website / webpage up to date at the time of the internal audit in accordance with the Transparency Code for Smaller Authorities

Audit findings

Testing to be conducted at final audit.

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

The authority has demonstrated that during summer 2022 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Audit findings

| Inspection – key dates | 2021/22 Actual |
|--|----------------|
| Date AGAR signed by council | 9 June 2022 |
| Date inspection notice issued | 10 June 2022 |
| Inspection period begins | 13 June 2022 |
| Inspection period ends | 22 July 2022 |
| Correct length (30 working days) | Yes |
| Common period included (first 10 working days of July) | Yes |

I am satisfied the requirements of this control objective were met for 2021/22, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council.

N: PUBLICATION REQUIREMENTS**Internal audit requirement**

The authority has complied with the publication requirements for 2021/22. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2022 authorities must publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited
- Section 1 - Annual Governance Statement 2021/22, approved and signed, page 4
- Section 2 - Accounting Statements 2021/22, approved and signed, page 5

Not later than 30 September 2022 authorities must publish:

- Notice of conclusion of audit
- Section 3 - External Auditor Report and Certificate
- Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

Audit findings

I was able to confirm that the Notice of Public Rights is published on the council website along with the Notice of Conclusion of Audit and External Auditor Report and Certificate and the publication requirements for 2021/22 have been met.

O. TRUSTEESHIP

Internal audit requirement

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

Audit findings

The council has no trusts.

Achievement of control assertions at interim audit date

Based on the tests conducted during the interim audit, our conclusions on the achievement of the internal control objectives are summarised in the table below. A further review and update of this opinion will be conducted at the final audit.

| | INTERNAL CONTROL OBJECTIVE | YES | NO | NOT COVERED |
|---|---|-----|----|-------------|
| A | Appropriate accounting records have been properly kept throughout the financial year | √ | | |
| B | This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for | √ | | |
| C | This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these | √ | | |
| D | The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate. | √ | | |
| E | Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for | √ | | |
| F | Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for | √ | | |
| G | Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied. | √ | | |
| H | Asset and investments registers were complete and accurate and properly maintained. | √ | | |
| I | Periodic bank account reconciliations were properly carried out during the year. | √ | | |
| J | 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. | √ | | |
| K | If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")</i> | | | √ |
| L | 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 | | | √ |
| M | The authority, during the previous year (2021-22) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> . | √ | | |
| N | The authority has complied with the publication requirements for 2021/22 AGAR. | √ | | |
| O | Trust funds (including charitable) – The council met its responsibilities as a trustee. | | | √ |

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

Yours sincerely



Andy Beams
For Mulberry & Co

Interim Audit - Points Carried Forward

| Audit Point | Audit Findings | Council comments |
|----------------------|--|-------------------------|
| BANK AND CASH | While the balance remains in excess of £85,000, this does represent a potential risk to the council. | |

