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Our Ref: MARK/ANG001

Mrs K Herr
Angmering Parish Council
The Corner House
The Square
Angmering
West Sussex
BN16 4EA

15 September 2022

Dear Katie

Re: Angmering Parish Council
Internal Audit Year Ended 31 March 2023 – Interim Audit report

Executive summary

Following completion of our interim internal audit on 15 September 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 Angmering 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. 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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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 on site with the Clerk, who also acts as the council's Responsible Financial Officer (RFO). The Clerk had prepared the information advised in advance of the visit, and I have the impression that accounting records are neatly maintained and easily accessible. Other information was reviewed through discussion with the Clerk and a review of the council website www.angmering-pc.gov.uk/parish-council

The council continues to use the Rialtas Business Solutions (RBS) accounting software 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 to provide management information reports for council.

A review of the RBS accounting records shows that these are maintained in a timely and meticulous manner, with minimal corrections and other documentation reviewed at the interim visit was similarly presented. Overall, I have the impression that the Clerk has established effective processes, procedures and systems for the council which allow councillors access to relevant information when making decisions.

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 has been received and is published on the council website alongside the Notice of Conclusion of Audit form.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors sign "Acceptance of Office" forms. The council website provides a summarised spreadsheet of Members Interests.

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 information is all available on the website, and it is clear that the Clerk has worked hard to ensure the council presents its financial 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 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 and Accessibility Statement on the home page of 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 committees for Planning and Infrastructure, Community, Leisure, Employment and Well-Being and Governance. There is a meeting diary on the 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. I noted that non-confidential supporting papers for meetings are also available on the website, as required by the Information Commissioner's Office (ICO).

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

Draft 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 most recently reviewed and adopted by council in May 2022 (minute ref 21/018).

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

Financial Regulations are based on the current NALC model and were reviewed and adopted by council in May 2022, with a further update and amendment in August 2022 (minute ref 22/035). 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:

- *full council for all items over £2,500*
- *the Clerk, in conjunction with Chairman of Council for any items below £2,500*

**An exception to the above would be CLEW Committee, which have authority to spend up to £7,500 per event, without approval from Full Council.*

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. Actions from a health & safety/fire risk assessment, the amount spent can be up to £7,000, in conjunction with the chair. 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.

The August review included the amendment to procedures as below, which the Clerk had already discussed with the internal auditor prior to presenting to council for approval:

FR 5.2. The RFO shall prepare a schedule of payments. These will be presented, by email, to 2 councillors, who are signatories. The email will consist of the invoices due for payment as well as the payment schedule produced by the accounting system. An emailed response confirming all payments are to be processed must be received from both councillors before payments are loaded onto the banking portal. These payments will then be loaded onto the banking portal by an authorised member of staff (not the RFO). The payment will be processed by the other member of staff and a secondary authorisation is given by the RFO and the payments are sent. A detailed list of all payments shall be disclosed as an attachment to the agenda of Full Council each month. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.

I was able to evidence this process having been put in place and reviewed the associated documentation. The system appears to work effectively, with councillors quick to respond to requests for authorisation and the Clerk confirmed that she is happy with the amended process.

It is clear that the council keeps its Financial Regulations under regular review and acts appropriately to incorporate any amendments and/or improvements to ensure an effective yet robust process is in place for all financial transactions.

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 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. The last completed return was for the period 1 April to 30 June and was submitted on 15 July 2022 and showed a refund due of £6,141.17. I confirmed receipt of this amount to the bank account on 24 August and the entry has been correctly processed to the VAT nominal code.

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 reviews its general and financial risk registers at every Governance & Oversight Committee meeting. The Clerk updates the registers prior to the meeting, and once reviewed by the committee, these then go to council for approval and to ensure that all councillors are aware of the risks.

I reviewed the registers presented to the last committee meeting, and these are detailed and comprehensive for a council of this size.

I noted in the minutes of the August 2022 council meeting that the review and update of the register was reported to council, and at the same meeting the council reviewed their Information Security Policy and Business Continuity Plan. I have no doubt that the council is taking its risk management responsibilities seriously.

I confirmed that the council has a valid insurance policy in place with Hiscox which expires on 30 September 2022 and the Clerk demonstrated that renewal arrangements are in process. The existing policy includes Public Liability and Employers Liability cover of £10 million each and a (Fraud and Dishonesty) Fidelity Guarantee of £500,000.

Previous internal audits have highlighted that, based on the total balances held by the council, the Fidelity Guarantee level should be reviewed. The Clerk was able to demonstrate that this recommendation has been reported to the council, and I was able to confirm this in the minutes of the February 2022 council meeting. The council has determined at this point that no further action in terms of increasing the Fidelity Guarantee is needed due to the council's investment strategy.

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 £397,400 for 2022/23. With a tax base of 3,684.0, this equates to a band D equivalent of £107.87 (compared to the average in England of £74.81).

The Clerk confirmed that the 2023/24 budget setting process is underway, with new budget lines being considered during the current year for inclusion. The council conducts a survey for inclusion of new projects to assess which to include in the budget.

After an initial review by the Clerk and Chairman, all councillors are invited to review and challenge the draft proposal before the budget goes to the January 2023 council meeting for approval.

The Clerk presents regular financial information to council meetings, including budget performance for councillors to review progress. As of 31 August, expenditure was reported as 42.2% of budget and income as 52.6% of budget, which is in line with expectations for this period of the year.

The council holds circa £257,000 in earmarked reserves. A review of the EMR descriptions shows that each of these appear to be for legitimate future projects. The council has received Community Infrastructure Levy (CIL) income during the current financial year, and I discussed with the Clerk the need to establish a CIL earmarked reserve for any unspent funds by the financial year end.

The council also holds circa £397,000 on general reserve at the interim audit date. 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, but at the higher end and 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 receives regular income from flat rental, grants, event income and sponsorship, allotment income, investment and interest income and VAT refunds. From a review of the RBS records, income appears to be correctly recorded and allocated appropriately and there was no evidence of off-setting of income against expenditure.

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 petty cash float for incidental expenditure, including paying the window cleaner, milk and other small items. The petty cash record is maintained in RBS and reconciled monthly.

I checked the petty cash tin and was able to confirm the balance matched the accounting records allowing for the receipts in the tin to be processed.

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 payroll is outsourced to a third-party contractor. The contractor completes all the deductions and acts as the BACS agent for making the salary, HMRC and pension payments. The council has five employees in total, all of whom have a signed contract of employment and are on the NJC salary scale. I was able to confirm the NKC salaries for two staff members checked as a sample.

There is a councillor allowance scheme in place, paid every six months through payroll. The Clerk is aware that co-opted councillors are not eligible for the councillor allowance scheme.

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 the expected level of information for each asset. **I noted that there are some donated/gifted items included on the register without a value, and these should be recorded as £1 where no payment was made.** Other items are correctly recorded at cost/proxy cost value and the addition of the £1 items will make no material difference to the overall asset register total.

The register includes areas of land which are leased to the council, and I would recommend ensuring that these are separated out on the register to ensure it is clear that they do not belong to the council.

The council has PWLB borrowing for the flat purchase. The flat income covers the PWLB payments, and the repayment and balance will be checked against the PWLB statement at the year-end audit.

The council has established an investment strategy through the use of the Flagstone Investment Platform, although no funds have been put into any accounts through the platform to date.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

Bank reconciliations are completed monthly and presented to council at every meeting. These are then checked and signed by a non-signatory and recorded as approved in the minutes. I reviewed the reconciliations presented for the interim audit and was able to confirm the balances to the bank statements and found no errors.

I discussed with the Clerk the protection limit offered by the Financial Services Compensation Scheme (FSCS), which the council currently benefits from due to its budget being under the equivalent of 500,000 euros. However, it is likely that future budgets will exceed this limit and the Clerk is aware no protection is then available. The Flagstone Investment Platform has been set up, and the plan is for the council to use this to manage its future investments and longer-term banking arrangements.

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 May 2022
Date inspection notice issued	1 June 2022
Inspection period begins	6 June 2022
Inspection period ends	15 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.

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
BUDGET, PRECEPT AND RESERVES	The general reserve balance is within the recommended range, but at the higher end and I recommend the council keeps this level under review.	
ASSETS AND INVESTMENTS	I noted that there are some donated/gifted items included on the register without a value, and these should be recorded as £1 where no payment was made.	
ASSETS AND INVESTMENTS	The register includes areas of land which are leased to the council, and I would recommend ensuring that these are separated out on the register to ensure it is clear that they do not belong to the council.	