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Our Ref: MARK/WES002

Mrs C Smith
West Itchenor Parish Council
4 Brook Close
Nutbourne
West Sussex
P020 8FY

4 October 2022

Dear Carol

**Re: West Itchenor Parish Council**
**Internal Audit Year Ended 31 March 2023 – Interim Audit report**

**Executive summary**
Following completion of our interim internal audit on 4 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 West itchenor 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.westitchenorparishcouncil.org

The council continues to use EasyPC as a day-to-day accounting package. The system is used regularly to record transactions and produce management information reports for review at council meetings. The Clerk confirmed that the accounting package provides sufficient information to record the council's accounts, and from a review of the information available at interim audit, this would appear to be correct. I have the impression that councillors are provided with sufficient financial information to make informed 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 was not qualified and has been published on the council website along with the Notice of Conclusion of Audit. This will be reported to the next council meeting having been received too late to be approved at the September council meeting.

There is evidence within the minutes of meetings of reviews of internal auditor's reports demonstrating that the council takes the audit process seriously.

*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 information on each councillor and includes their individual Register 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. I recommend reviewing the way the information is published on the website of Upper Beeding Parish Council as a best practice example via this link www.upperbeeding-pc.gov.uk/finance-transparency

*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 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*

A diary of future meeting dates is published on the website, along with historic agendas, minutes and supporting papers for council and committee meetings.

*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 note that non-confidential supporting papers are also published on the website in accordance with the requirements of the Information Commissioner's Office (ICO).

*Check the draft minutes of the last meeting(s) are on the council's website*
Minutes are routinely published on 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 49/22C).

*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 in May 2022 (minute ref 49/22C). 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 [£1000]; or*
- *the Clerk, in conjunction with Chairman of Council for any items between [£500 - £1000].*
- *The Clerk for any items up to £500*

*Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk, and the 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 [£1000]. 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, and through discussion with the Clerk, these authorisation thresholds appear appropriate.

There is evidence within council meeting minutes of regular reviews of financial information, including approval of payment schedules, bank reconciliations and review of budget performance.

The council approved their regular direct debit and standing order payments at the May 2022 meeting (minute ref 58.5).

I tested a sample of invoices and found these had been approved in accordance with the thresholds contained within the Financial Regulations, and approval, where needed, recorded in the minutes of meetings.

*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. This was re-adopted at the May 2022 meeting (minute ref 48/22C).

*Check receipt of VAT refund matches last submitted VAT return.*
The council submits its VAT return on an annual basis. **This has recently been submitted and the amount has not been received into the bank account yet and will be checked at the final audit.**

*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 detailed risk assessment policy in place which breaks down areas of risk, highlights the individual risks within each category, assesses the risk level and chance of occurrence, lists existing mitigation measures in place and any further measures identified at review.

This is a comprehensive approach, and the assessment includes all of the risks typically applicable to a council of this size.

I confirmed that the council has a valid insurance policy in place with Hiscox which expires on 27 June 2023. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fraud & Dishonesty (Fidelity Guarantee) level of £150,000 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 £36,000 for 2022/23. With a tax base of 403.6, this equates to a band D equivalent of £89.20 (compared to the average in England of £74.81).

The Clerk confirmed that the 2023/24 budget setting process is scheduled to begin with an initial draft prepared with a couple of councillors. This will be presented to council as a draft at the November meeting, with the aim to agree the final budget and precept at the January 2023 council meeting after confirmation of the tax base figures

The Clerk presents the budget performance information at council meetings for review. This shows spend against budget although it is currently missing a 'percentage spend' figure, which may help councillors understand the information more clearly. The information includes an up-to-date balance of reserves held to provide councillors with a full picture of the council's overall financial position.

At the interim audit date, the council held £16,266 in an earmarked reserve for the Sea Wall project and a further £2,706 in a Community Infrastructure Levy (CIL) earmarked reserve. The council held £20,000 in the general reserve at the start 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 this range.

## 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 only receives income from grants, Community Infrastructure Levy (CIL) receipts, bank interest and VAT refunds. From a review of the Excel records, income appears to be correctly recorded and allocated appropriately.

## 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 has no petty cash.

## 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**

There are two members of staff, both of whom have a signed contract of employment, based on the NALC template and are paid on the NJC scale. I was able to confirm this from the most recent payslips.

Payroll is processed in house using BrightPay and a review of the information suggests that the PAYE and NI calculations are correct.

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 which includes a description of each asset, the date of acquisition, the supplier (where relevant), original cost, useful life estimate, location, present use or capacity, custodian, usage, current charge for use, and insurance value.

This is a comprehensive approach for a council of this size, and the detail provided can be used as a best practice example for other councils.

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 no PWLB borrowing nor 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 (for all accounts) 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.'*

I was able to evidence that this activity takes place and confirmed the most recent bank reconciliation matched the stated bank balances against the original statements.

I noted that the reconciliation and bank statement have been signed in accordance with the Financial Regulations.

Balances held are within the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS).

## 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** | 5 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 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. *(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")* | | | √ |
| 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 *(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).* | √ | | |
| 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 |
|---|---|---|
| None | | |