MULBERRY
LOCAL AUTHORITY SERVICES LTD

Eastgate House
Dogflud Way, Farnham
Surrey, GU9 7UD

t 07428 647069
e office@mulberrylas.co.uk
w www.mulberrylas.co.uk

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

23 April 2024

Dear Carol

**Re: West Itchenor Parish Council**
**Internal Audit Year Ended 31 March 2024 – Year-End Audit report**

**Executive summary**
Following completion of our year-end internal audit on 23 April 2024 we enclose our report for your kind attention and presentation to the council. This report contains details of the additional testing conducted at year-end and should be considered alongside the interim audit report issued following our interim audit on 4 October 2023. 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 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, 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 2023/24 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.

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.

**Year-End Audit**
The year-end audit was conducted on site. Information was requested from the council in advance of the audit taking place, and this was reveiwed along with other information published on the council's website www.westitchenorparishcouncil.org

## Table of contents


| | | TEST AT INTERIM | TEST AT FINAL | PAGE |
|---|---|---|---|---|
| | INTERIM AUDIT – POINTS CARRIED FORWARD | | | 3 |
| B | FINANCE REGULATIONS, GOVERNANCE AND PAYMENTS | ✓ | ✓ | 3 |
| C | RISK MANAGEMENT AND INSURANCE | ✓ | ✓ | 3 |
| D | BUDGET, PRECEPT AND RESERVES | ✓ | ✓ | 3 |
| G | PAYROLL | ✓ | ✓ | 4 |
| H | ASSETS AND INVESTMENTS | ✓ | ✓ | 4 |
| I | BANK AND CASH | ✓ | ✓ | 4 |
| J | YEAR END ACCOUNTS | | ✓ | 4 |
| K | LIMITED ASSURANCE REVIEW | | ✓ | 6 |
| L | PUBLICATION OF INFORMATION | | ✓ | 7 |
| M | EXERCISE OF PUBLIC RIGHTS – INSPECTION OF ACCOUNTS | ✓ | ✓ | 7 |
| | ACHIEVEMENT OF CONTROL ASSERTIONS AT FINAL AUDIT DATE | | ✓ | 8 |
| | AUDIT POINTS CARRIED FORWARD | | | 8 |

## Interim Audit - Points Carried Forward

| Audit Point | Audit Findings | Council comments on actions taken since interim visit |
|---|---|---|
| None | | |

### 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.*

Further to the detailed testing conducted at the interim audit, I reveiwed the council website minutes and associated financial papers and am satisfied that the council continues to follow its adopted Financial Regulations and 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 Clerk presents the budget performance information at every council meeting for review. This shows spend against budget and includes a percentage figure to make the information easily understandable.

At the end of the financial year, the council held circa £133,940 in earmarked reserves (EMR) including £20,853 as a Community Infrastructure Levy (CIL) earmarked reserve. The council also held circa £27,143 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 was able to confirm from the accounting software 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. There have been no additions nor deletions during the year under review.

The council has no 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**

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

Year-end balances 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**

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** | *'Yes', means that this authority* | 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. | *prepared its accounting statements in accordance with the Accounts and Audit Regulations.* | **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. | *made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.* | **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. | *has only done what it has the legal power to do and has complied with Proper Practices in doing so.* | **NO** – refer to External Auditor's comments regarding incorrect minute reference numbers. |
| 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. | *during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.* | **YES** – the requirements and timescales for 2022/23 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. | *considered and documented the financial and other risks it faces and dealt with them properly.* | **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. | *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.* | **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. | *responded to matters brought to its attention by internal and external audit.* | **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. | *disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.* | **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. | *has met all its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.* | **N/A** – the council has no trusts |

**Section 2 – Accounting Statements**

| AGAR box number | | 2022/23 | 2023/24 | Internal Auditor notes |
|---|---|---|---|---|
| 1 | Balances brought forward | 41,956 | 40,896 | Agrees to 2022/23 carry forward (box 7) |
| 2 | Precept or rates and levies | 36,000 | 39,768 | Figure confirmed to central precept record |
| 3 | Total other receipts | 1,898 | 22,743 | Agrees to underlying accounting records |
| 4 | Staff costs | 11,843 | 14,294 | Agrees to underlying accounting records. Includes only expenditure allowed as staff costs (see section G) |
| 5 | Loan interest/capital repayments | 0 | 0 | Council has no borrowing |
| 6 | All other payments | 27,115 | 28,030 | Agrees to underlying accounting records |
| 7 | Balances carried forward | 40,896 | 61,083 | Casts correctly and agrees to balance sheet |
| 8 | Total value of cash and short-term investments | 40,896 | 61,083 | Agrees to bank reconciliation for all accounts |
| 9 | Total fixed assets plus long-term investments and assets | 6,873 | 6,873 | Matches asset register total and changes from previous year have been traced |
| 10 | Total borrowings | 0 | 0 | Council has no borrowing |
| 11a | Disclosure note re Trust Funds (including charitable) | NO | NO | No – the council is not a sole trustee |
| 11b | Disclosure note re Trust Funds (including charitable) | N/A | N/A | N/A – the council is not a sole trustee |

**Audit findings**

The year-end accounts have been correctly prepared on a receipts and payments basis with no requirement to complete the box 7 and 8 reconciliation. The year-end receipts and payments totals match the combined totals on the AGAR boxes.

The AGAR correctly casts and cross casts and last year's comparatives match the figures submitted for 2022/23 and published on the council website.

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 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")*

**Audit findings**

The council did not certify itself exempt in 2022/23 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**

For councils with a turnover over £25,000, it is recommended best practice to follow the Local Government Transparency Code 2015, but not a statutory requirement and therefore not subject to verification during the internal audit.

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 financial years 2018/19 to 2022/23 inclusive.

## M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

***Internal audit requirement***

*The authority has demonstrated that during summer 2023 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.*

**Audit findings**

| Inspection – key dates | 2022/23 Actual | 2023/24 Proposed |
|---|---|---|
| **Date AGAR signed by council** | 15 May 2023 | 13 May 2024 |
| **Date inspection notice issued** | 4 June 2023 | 2 June 2024 |
| **Inspection period begins** | 5 June 2023 | 3 June 2024 |
| **Inspection period ends** | 14 July 2023 | 12 July 2024 |
| **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 2022/23, 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 2023/24 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 2022/23, it met the exemption criteria and correctly declared itself exempt. *(If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")* | | | ✓ |
| 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 (2022/23) 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 2022/23 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**
**Mulberry Local Authority Services Ltd**

## Year-End Audit - Points Carried Forward

| Audit Point | Audit Findings | Council comments |
|---|---|---|
| None | | |