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Our Ref: MARK/PUL001

Mrs H Quenault
Pulborough Parish Council
Swan View, Lower Street
Pulborough
West Sussex
RH20 2BF

10 October 2023

Dear Harry

Re: Pulborough Parish Council
Internal Audit Year Ended 31 March 2024 – Interim Audit report

Executive summary

Following completion of our interim internal audit on 10 October 2023 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 Pulborough 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. 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 is new to role since August, and this is the first internal audit conducted by Mulberry & Co. While I note the previous internal audit report stated that the council's systems were of a good standard, the External Auditor has qualified the report, and my internal audit report reviews some areas previously excluded from comment on previous internal audit reports.

The Clerk had prepared the requested information advised in advance of the visit, and overall, I have the impression that he has already identified some areas where improvements to the council's policies and procedures may be made, and this report will support that process. Other information was reviewed through discussion with the Clerk and a review of the council website www.pulboroughparishcouncil.gov.uk

The council continues to use the Rialtas Business Solutions (RBS) accounting software for recording the council's finances. This is an industry specific accounting package and I make no recommendation to change. The software is updated regularly and used to produce management information reports for review at council meetings.

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 2022/23 was qualified. The External Auditor noted 'The reconciliation provided between box 7 and box 8 of Section 2 Accounting Statements did not agree to the figure at box 7. Figure at box 7 was £338,558 and the reconciliation provided a balance of £328,023. Therefore, we are unable to verify this figure or verify that the Accounting Statements have been prepared correctly on the correct basis in line with the Accounts and Audit Regulations 2015. **Therefore, the council should consider providing a 'No' response in its response to Assertion 1 on the 2023-24 Annual Governance Statement.**'

The External Auditor's report and the Notice of Conclusion of Audit has been published on the council website and will be reported to the next Finance committee meeting. The previous internal audit report did not note any issues with the figures.

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 details of the individual councillor's 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. I note the council publishes some of the requested information, and a review of the website of West Chiltington Parish Council's [Transparency Page](#) provides a good example of how the information should be presented.

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 Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide (March 2023) contains updated guidance on the matter as below:

The importance of secure email systems and GOV.UK

- 5.205. All authorities except parish meetings must now have an official website. To comply with GDPR, councils should provide official email accounts for their councillors as well as for their clerk and other officers.
- 5.206. When choosing a domain name for the council's website and emails, many local council websites are appropriately making use of the official GOV.UK domain (for example, ourparishcouncil.gov.uk), with email addresses being linked to that domain.
- 5.207. Using a GOV.UK domain for your council website and email accounts demonstrates the council's official local government status. Members of the public are increasingly cyber security awareness, so a GOV.UK domain can also help to build trust, and credibility and visibly demonstrates authenticity. Many people will now reasonably expect a local council to have a GOV.UK domain name.
- 5.208. For the purposes of user management, councils should ensure that the proper officer can add and remove member and staff email accounts. Commercial 'dashboard' email and web systems offer centralised searching of all data contained within the system for effective compliance with GDPR Subject Access Requests and Freedom of Information Requests.

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 Finance & Policy, Recreation & Open Spaces, Planning and Finance & Staffing sub-committee. Terms of reference for each committee are published on the council website as part of the Standing Orders. Details of agendas and minutes for council and committee meetings are published on the council website.

Check that agendas for meetings are published giving 3 clear days' notice

I was able to confirm 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 the agendas include supporting documentation in accordance with the requirements of the Information Commissioner's Office.

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

Draft minutes are uploaded to the council website and clearly annotated as draft.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months

The Standing Orders are based on the 2018 NALC model version. There is evidence that these were reviewed and approved by council in November 2019, and although the document says these have been updated since (most recently January 2022) there are no minute references to support this action. The Clerk has reviewed the Standing Orders and proposed changes to make them more suitable for the council, and these will be reviewed by council at the meeting on 19 October 2023. Council is reminded that the Standing Orders should be reviewed and adopted annually, and this confirmed in the minutes of the appropriate meeting.

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

Financial Regulations are based on the current NALC model. There is evidence that these were reviewed and approved by council in November 2019, and although the document says these have been updated since (most recently January 2022) there are no minute references to support this action. The Clerk has reviewed the Standing Orders and proposed changes to make them more suitable for the council, and these will be reviewed by council at the meeting on 19 October 2023. Council is reminded that the Standing Orders should be reviewed and adopted annually, and this confirmed in the minutes of the appropriate meeting. 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

A review of the council's compliance with the newly adopted Financial Regulations will be conducted at the final internal audit.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £9.93 per elector

The council adopted the General Power of Competence (GPC) at the August 2023 council meeting and the section 137 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 ending 30 June 2023 which showed a refund amount due of £2,158.23. I was able to confirm receipt of this amount to the council's bank account on 3 August 2023. The council is up to date with its VAT submissions.

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 management policy and risk register which was most recently reviewed and approved by council on 28 September 2023. I reviewed the risk assessment record, which details the types of risk identified, assigns a perceived risk level based on the likelihood and severity of the incident occurring, records mitigation action taken and reassesses the residual risk after the action is taken. This is a comprehensive approach and includes all the risks typically associated with a council of this size.

I confirmed that the council has a valid insurance policy in place with Hiscox which was renewed on 1 October 2023. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fraud & Dishonesty (Fidelity Guarantee) level of £150,000.

The Fraud & Dishonesty insurance cover level is significantly below the balances held, and the council should ensure that the cover level is more than the highest balance held at any point during the financial year.

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 £277,323 for 2023/24. With a tax base of 2,598.8, this equates to a band D equivalent of £106.71 (compared to the average in England of £79.35).

The Clerk confirmed that the 2024/25 budget setting process has begun with a first draft produced and then due to be reviewed at the Finance Committee meeting on 26 October 2023. This will go back to the Finance & Policy Committee at the November meeting to form a recommendation to go to Full Council to approval at the November council meeting. There is a further scheduled council meeting in January if another meeting is needed to finalise the details.

The Clerk presents the budget performance information at Finance & Policy Committee meeting for review, including copies of the cashbooks and the earmarked reserves. The addition of a finance update at the council meetings, delivered either by the RFO or the committee Chair, may add benefit to ensure that all councillors are kept up to date with the council's financial position.

The council holds circa £235,000 in earmarked reserves, spread across a range of projects which are clearly identified. These include an amount for Community Infrastructure Levy (CIL) receipts. The council also holds circa £123,000 in 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 the recommended 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 budgets to receive income from an Environmental Cleansing Grant, sports pavilion income, allotments, donations towards Christmas lights. and tennis club rent. The council reviews its fees and charges each year as part of the budget setting process.

Unbudgeted amounts received during the year come from bank interest and VAT refunds. From a review of the accounting records, income appears to be recorded with sufficient narrative detail to identify the source and allocated to the most appropriate nominal code.

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 six staff members in total, all of whom have a signed contract of employment. Four staff member's salaries are aligned to the NJC scale point range with the other two paid on a fixed hourly rate.

The council uses West Sussex County Council for processing payroll, who calculate the PAYE and pension deductions and make the related salary, HMRC and pension payments each month, subsequently invoicing the council. I reviewed the payslips for staff members and the payroll deductions appear correct. The council is a member of the Local Government Pension Scheme (LGPS).

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 asset location, date of acquisition (where known), cost or proxy cost and insurance/replacement values. **Assets are correctly listed at cost/proxy cost, although I note some have an 'unknown' value included. These elements should either be given the proxy cost value or a token £1 where this information is unavailable.**

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

The currently adopted Financial Regulations include clause 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 Finance Committee.'

Bank reconciliations are completed monthly and presented to Finance & Policy Committee at every meeting for review. 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 noted that the reconciliation and bank statement have not been signed in accordance with the Financial Regulations and this must be rectified before the year-end audit to allow me to positively confirm compliance with this internal control objective.

The council holds accounts with Nat West and CCLA. **Balances held exceed the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) and the council may wish to consider mitigating the risk by opening an account with an alternate provider.**

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 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

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	2022/23 Actual
Date AGAR signed by council	15 June 2023
Date inspection notice issued	19 June 2023
Inspection period begins	20 June 2023
Inspection period ends	31 July 2023
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 2022/23, 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 2022/23. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2023 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 2022/23, approved and signed, page 4*
- *Section 2 - Accounting Statements 2022/23, approved and signed, page 5*

Not later than 30 September 2023 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 I was able to confirm that the publication requirements for 2022/23 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.	To be tested at final audit		
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. <i>(If the authority had a limited assurance review of its 2022/23 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	To be tested at final audit		
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 <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 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.

Your final audit date has been booked for Wednesday 1 May 2024 at 9am at the Village Hall.

Yours sincerely



Andy Beams
For Mulberry & Co

Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
C. RISK MANAGEMENT AND INSURANCE	The Fraud & Dishonesty insurance cover level is significantly below the balances held, and the council should ensure that the cover level is more than the highest balance held at any point during the financial year.	
H. ASSETS AND INVESTMENTS	Assets are correctly listed at cost/proxy cost, although I note some have an 'unknown' value included. These elements should either be given the proxy cost value or a token £1 where this information is unavailable.	
I. BANK AND CASH	I noted that the reconciliation and bank statement have not been signed in accordance with the Financial Regulations and this must be rectified before the year-end audit to allow me to positively confirm compliance with this internal control objective.	
I. BANK AND CASH	Balances held exceed the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) and the council may wish to consider mitigating the risk by opening an account with an alternate provider.	