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Our Ref: MARK/HAS002

Mr I Cumberworth
Hassocks Parish Council
Parish Centre
Adastra Park
Hassocks
West Sussex
BN6 8QH

24 November 2022

Dear Ian

Re: Hassocks Parish Council**Internal Audit Year Ended 31 March 2023 – Interim Audit report****Executive summary**

Following completion of our interim internal audit on 24 November 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 Hassocks 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:

- o There have been no reported instances of breaches of regulations in the past
- o The client uses an industry approved financial reporting package
- o The client regularly carries out reconciliations and documents these
- o There is regular reporting to council
- o The management team are experienced and informed
- o Records are neatly maintained and referenced
- o The client is aware of current regulations and practices
- o 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 Deputy Clerk. The information requested in advance of the visit was available for review and I have the impression that accounting records are neatly maintained and easily accessible. Other information was reviewed through discussion with the Deputy Clerk and a review of the council website

The council continues to use the Rialtas Business Solutions (RBS) accounting package for recording the day-to-day financial transactions of the council. This is an industry specific accounting package and I make no recommendation to change. The system is used regularly to record transactions and 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 2021/22 has been published on the council website along with the Notice of Conclusion of Audit.

The External Auditor made the following comments – *'The AGAR submitted shows an answer of 'N/A' to Box 11 of Section 2 in relation to Trust Funds. We understand the Council is a sole trustee and this is reflected in the Annual Internal Audit Report and Section 1 of the AGAR. When queried, the council confirmed this answer was an administrative error and this Box should in fact be answered 'Yes'. We do not believe there should be any additional issues in relation to this.'*

The External also noted under other matters *'The Council last reviewed their Standing Orders and Financial Regulations in May 2020. Section 1.14 of JPAGs Proper Practices that require these documents to be reviewed regularly and we note that a review of these has been scheduled for later in 2022. Whilst there is no specific definition of 'regular' in this circumstance this equates to a review every 2.5 years. Proper practices would suggest that regular should be more frequently than that to ensure all applicable regulations are still current, appropriate and fit-for-purpose and reviews are not overlooked. We would suggest that the Council consider a more frequent review process'.*

The conclusion of the audit was reported to the council at the meeting held on 11 October 2022 (minute ref PC22/86.1).

I note within the minutes of meetings there is reference to receipt of internal audit reports, and consideration of recommendations, and I am pleased to note that the council clearly 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 details of councillors, and a separate tab includes each councillors individual Register of Members' Interests Forms.

Confirm that the council is compliant with the relevant transparency code.

As the council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so. The council has established a Transparency tab on the website where the information is published.

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 its website, and it is clear the council has made every effort to comply with the website requirements.

Confirm that the council meets regularly throughout the year.

In addition to full council, the council has a committee structure in place. Terms of reference exist for each committee, although for greater transparency, I recommend these are published on the council website. A diary of future meeting dates is published on the website along with historic agendas and minutes.

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 non-confidential supporting papers are available on the website as appendices. This conforms 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.

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 a NALC model, although as reported in previous internal audit reports, this is not the most recent version and does not contain statutory requirements relating to Responsibilities under Data Protection and Responsibilities to Provide Information. The latest review of the Standing Orders took place in May 2020 (minute ref PC20/09/7). This issue has also been highlighted in the External Auditor's Report for 2021/22 and I recommend a review takes place before the year-end against the current NALC model to ensure the council is meeting all its statutory responsibilities.

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

As with the comments above regarding Standing Orders. The Financial Regulations are based on an older NALC model and would benefit from a review against the current NALC model, and adoption by council before the financial year-end. 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 3.1. The agreed revenue and capital budget will drive the Clerk's office's planned work programme and levels of cash flows required for solvency purposes for the next fiscal year. Major variations to agreed budgets will therefore be resisted by Council unless due regard and consideration is given to the resource implications that such variations would likely have on the Clerk's office.

FR 3.2. Expenditure on the revenue account may be incurred up to the amounts included in the approved budget, subject to the requirements of Standing Orders.

FR 3.3. Expenditure may not be incurred which cannot be met from the amount provided within the total net cost centre budget or when circumstances arise where there is likely to be budget overspend in total in the year, unless a request for a supplementary estimate has been submitted to and agreed by the Policy, Resources and Communications Committee.

FR 3.4. Except as provided in Standing Orders, all proposals involving expenditure on the capital account shall be the subject of an annual report to the appropriate committee which shall include the full financial implications of the proposals.

FR 3.5. The Policy, Resources and Communications Committee shall carry out a review of the expenditure and income of the Council at the same time as it undertakes its evaluation of the following year's budgetary requirements (refer to SO 56 above).

FR 3.6. The Clerk may incur expenditure on behalf of the Council which is necessary to carry out any repair replacement or other work which is of extreme urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure, subject to a limit of £2,500. The Clerk shall report such action to the Chairman of the relevant committee 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 for inclusion in the updated Financial Regulations.

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 a £4,500 budget set for section 137 expenditure for the year, which is comfortably within the allowable limit.

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 ended 30 June 2022 which shows a refund amount due of £3,743.22. I confirmed receipt of this amount to the council's bank account on 4 August 2022.

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

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

C. RISK MANAGEMENT AND INSURANCE

Internal audit requirement

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

Audit findings

The council has a risk assessment process in place, which has been updated and approved by council in June 2022 (minute ref PC22/43.5).

The risk assessment reviews risks in different areas of the council and assesses the specific topic and risk identified, assigns a risk level of low/medium/high, confirms the mitigation measures in place and includes the review process. From a review of the assessment, all risks typically associated with a council of this size are included, and this provides a comprehensive approach to risk management for the council.

The only suggestion for improvement would be the inclusion of a risk matrix to quantify how the risk levels are being assessed.

I confirmed that the council has a valid insurance policy in place with Hiscox which was renewed in August 2022. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fraud & Dishonesty (Fidelity Guarantee) level of £400,000. I note the Fraud & Dishonesty level has been increased following a recommendation contained within the last internal audit. The listed asset cover appears appropriate based on the items recorded on the council's asset register.

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 £312,302 for 2022/23. With a tax base of 3,622.8, this equates to a band D equivalent of £86.20 (compared to the average in England of £74.81).

The Clerk confirmed that the 2023/24 budget setting process is underway with the Clerk working on a draft proposal at present, the council has scheduled meetings in both December 2022 and January 2023, and final approval and setting of the precept will take place at one of these meetings.

There is evidence within council meetings of regular reviews of financial information, including assessments of performance against budget, and I am satisfied that councillors are provided with sufficient financial information to make informed decisions.

As part of the budget setting proposal under consideration, a series of transfers between reserve balance are planned, and a review of the earmarked and general reserve balances will be carried out at the final audit.

Council is reminded that 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).

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 income from a range of sources, including Adastra Park facility rental, the burial ground and allotment rental. I was able to confirm from minutes of meetings of the relevant committees that the fees and charges have been reviewed within the last year, with new prices taking effect from 1 April annually.

A review of the income entries on the RBS nominal ledger report shows that sufficient narrative detail is provided to clearly identify the source of funds, and amounts are posted to the correct 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 maintains a small petty cash float. Previous audits have confirmed that petty cash is appropriately managed, and the amount is inconsequential to the council's overall financial position.

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 four staff member on payroll, which is managed externally on behalf of the council. All staff members have a signed contract of employment.

I reviewed the payslips and payroll summaries for September and October and the payroll deductions appear correct.

I reminded the Deputy 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 is maintained in an Excel format. The register includes a summary page, and a more detailed asset list which includes details of each asset and its date of acquisition, location, original cost, condition and insured value. This is a comprehensive list, and I can see the register has been regularly updated with additions and disposals.

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

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

The council has no long-term investments.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

Bank reconciliations are completed monthly and presented to council 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 been signed in accordance with the current NALC model Financial Regulations.

Balances held exceed the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS), although the Deputy Clerk confirmed that a new account is in the process of being opened. I noted that there have been some delays in setting up the online access, and I advised the Clerk and Deputy Clerk that the online payment processes can be entirely managed within the office staff, providing that there is dual authentication, and the Financial Regulations reflect the council's practices.

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	14 June 2022
Date inspection notice issued	16 June 2022
Inspection period begins	20 June 2022
Inspection period ends	29 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 is the trustee of Talbot Field (charity number 1070848). A review of the Charity Commission website shows that the council is correctly recorded as the trustee and all reporting is up to date.

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
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	I recommend a review takes place before the year-end against the current NALC model to ensure the council is meeting all its statutory responsibilities.	
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	The Financial Regulations are based on an older NALC model and would benefit from a review against the current NALC model, and adoption by council before the financial year-end.	
BANK AND CASH	I advised the Clerk and Deputy Clerk that the online payment processes can be entirely managed within the office staff, providing that there is dual authentication, and the Financial Regulations reflect the council's practices.	

