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Our Ref: MARK/HEA002

Mrs H Johnson
Heathfield & Waldron Parish Council
73 High Street
Heathfield
East Sussex
TN21 8HU

14 September 2022

Dear Helen

Re: Heathfield & Waldron Parish Council
Internal Audit Year Ended 31 March 2023 – Interim Audit report

Executive summary

Following completion of our interim internal audit on 14 September 2022 we enclose our report for your kind attention and presentation to the council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date.

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified. Testing requirements follow those detailed in the audit plan previously sent to the council, a copy of this is available on request. The report concludes with an opinion as to whether each assertion has been met or not at the interim audit. Where appropriate **recommendations for action are shown in bold text and are summarised in the table at the end of the report.**

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

It is clear the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at Heathfield & Waldron 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 RFO, who had prepared the information advised in advance of the visit. Other information was reviewed through discussion with the RFO and a review of the council website www.hwpc.org.uk

The council continues to use the Rialtas Business Solutions (RBS) accounting software for recording the day-to-day financial transactions of the council. This is a tried and tested industry specific accounting system and I make no recommendation to change. The council prepares and circulates its own spreadsheets in addition to the RBS generated reports.

A review of the accounting records showed that proper authorisation for payments is obtained, and from a sample review of documentation I found no evidence of missing information. Overall, I have the impression that accounting records are neatly maintained and easily accessible.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

Audit findings

Check the publication and minuting of the prior year audited AGAR and notice of conclusion of audit.

The external auditor's report for 2021/22 has been received and published on the council website alongside the Notice of Conclusion of Audit. The external auditor noted 'The AGAR was not accurately completed before submission for review. Please ensure that amendments are corrected in the prior year comparatives when completing next year's AGAR. Section 2, Box 7 for the current year does not agree to Boxes 1+2+3-(4+5+6). The figure in Box 4 should read £152,061.'

I noted that the Internal auditor's report has also been published on the council website, which is recommended best practice.

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 each councillor, and this contains their individual Register of Members Interest forms. I sample checked the forms and am satisfied that they are all for the current administration.

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 a Transparency page on the website, and from a review of this information, it is publishing everything needed to meet the requirements of the code.

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

In addition to full council, the council has committees for Leisure, Amenities & Burials, Planning & Highways, Finance & General Purpose and Community & Business Development. There is also a sub-committees for Staffing and various working parties. Future meeting dates are available on the website, and historic agendas and minutes are published under each committee.

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. It was noted that non-confidential supporting papers are also published in accordance with the Information Commissioner's Office (ICO) requirements.

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

All minutes are published on the website as unadopted, with the adopted version subsequently added once approved.

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 22/84(c)).

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 on 10 May 2022 (minute ref 22/84(c)). 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 incurred up to the amounts included for that class of expenditure in the approved budget under the delegated authority given to each committee.

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 £3,000. The Clerk shall confer with the Chairman of the Council and Chairman of the relevant committee, if possible, and report the action to the appropriate committee as soon as practicable thereafter.

Based on the level of financial activity of the council, these authorisation thresholds appear appropriate.

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. Each invoice was logically filed, appropriately authorised and amounts could be traced back to the corresponding nominal ledger codes on the RBS system.

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 threshold does not apply.

Check receipt of VAT refund matches last submitted VAT return.

The council is not VAT registered and submits its VAT return on a quarterly basis. The latest VAT return was for the period 1 April to 30 June and was submitted on 13 July. This showed a refund due of £9,289.37 and I confirmed receipt of this amount on the bank statement on 29 July.

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 statement in place, which was last approved in January 2021. Council is reminded that this should be updated annually.

I reviewed the risk assessment due to be approved by the Finance & General Purposes Committee at its September meeting. The assessment includes details of identified risks, factors affecting the risk, mitigating actions and early warnings and an assessment of the impact and probability of the risk occurring. This demonstrates that council takes its risk management responsibilities seriously.

I confirmed that the council has a valid insurance policy in place with Zurich in a long-term agreement expiring on 1 April 2026. The policy includes Public Liability cover of £15 million and Employers Liability cover of £10 million and a Fidelity Guarantee of £1 million. **Based on the year-end balances held by the council, I recommend the Fidelity Guarantee level is kept under review.** The listed asset cover appears to cover the key buildings on the asset register, although I recommend a review of the insured sums to ensure they are appropriate.

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 £427,965 for 2022/23. With a tax base of 5,346.9, this equates to a band D equivalent of £80.04 (compared to the average in England of £74.81).

The RFO confirmed that the 2023/24 budget setting process is underway, with a meeting in October as a first review, followed by a review by the Finance & General Purposes Committee to follow. It is anticipated the final budget and precept will be agreed at the January 2023 council meeting.

The budget information is presented to each committee meeting. A review of the latest reports shows expenditure of £172,845 against an annual budget of £498,662, which suggests that expenditure is being carefully monitored and is likely to remain within budget for the year.

There is evidence within council meeting minutes of reviews of financial information, including approval of payments, authorising and signing of bank reconciliations, review and approval of credit card statements and agreement of virements between budget codes.

The council holds circa £347,000 on earmarked reserves, with circa £111,000 of this earmarked for Community Infrastructure Levy (CIL) receipts. At the start of the financial year, the council held circa £300,000 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 this range and will be reviewed further at the year-end audit.

Based on a review of the information made available at the interim audit, I am satisfied that councillors are provided with sufficient financial information to make informed decisions.

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 burials, allotments, hire of community halls, CIL, bank interest and VAT refunds. The fees for the burials, allotments and hall hire were reviewed at the Leisure, Amenities & Burial Committee meeting held on 12 April 2022.

The council also received donations towards events held during the year, and these have been correctly recorded as income rather than off-set against expenditure.

F. PETTY CASH

Internal audit requirement

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.

Audit findings

The council maintains a petty cash float for incidental expenditure. As the council now holds a corporate credit card, the use has reduced over the years. I was able to confirm spent amounts to receipts filed in the petty cash tin, and the balance of £184.60 was checked and confirmed as accurate.

G. PAYROLL

Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

Audit findings

The council has one full time employee (the Clerk) and five part-time employees. The council uses a third party for processing payroll, who calculates the PAYE and pension deductions. From a review of the payroll information, I was able to confirm that staff members are paid in accordance with their NJC salary scales and that deduction amounts appear to be correct.

Payments to HMRC are paid monthly along with payments to the Local Government Pension Scheme (LGPS).

There is a councillor allowance scheme with payments made to eligible members twice a year through payroll.

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 and produces a different version for publication on the Transparency page of the website to meet those requirements. I note that some assets are listed as being valued using insurance values or having been gifted yet assigned a monetary value. Council is reminded that assets should be recorded at purchase or proxy cost only or if gifted/donated as £1, and no appreciation or depreciation applied throughout the life of the asset.

I recommend that the asset register is reviewed and that all asset values are appropriately recorded. Further guidance on this can be found in the JPAG Practitioner's Guide.

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

Bank reconciliations are completed monthly and presented to council 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 been signed by the chairman in accordance with the Financial Regulations and this is recorded in the minutes of the meetings.

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	10 May 2022
Date inspection notice issued	7 June 2022
Inspection period begins	13 June 2022
Inspection period ends	22 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. The Notice of conclusion of Audit and External Auditor Report and certificate have also been published on the council website as per the statutory requirements.

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 Waldron Recreation Ground (charity number 305321). I reviewed the information on the Charity Commission website, which shows all reporting is up to date and that the council is correctly listed as the sole trustee.

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
RISK MANAGEMENT AND INSURANCE	Based on the year-end balances held by the council, I recommend the Fidelity Guarantee level is kept under review.	
ASSETS AND INVESTMENTS	I recommend that the asset register is reviewed and that all asset values are appropriately recorded. Further guidance on this can be found in the JPAG Practitioner's Guide.	