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Our Ref: MARK/HOO001

Mrs J Warrener
Hooe Parish Council
1 Thorne Farm Cottages
Ninfield Road
Bexhill
East Sussex
TN39 5JP

19 January 2023

Dear Jane

Re: Hooe Parish Council
Internal Audit Year Ended 31 March 2023 – Interim Audit report

Executive summary

Following completion of our interim internal audit on 19 January 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 Hooe 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.

Table of contents

		TEST AT INTERIM	TEST AT FINAL	PAGE
A	BOOKS OF ACCOUNT	√		3
B	FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	√	√	3
C	RISK MANAGEMENT AND INSURANCE	√	√	5
D	BUDGET, PRECEPT AND RESERVES	√	√	6
E	INCOME	√		6
F	PETTY CASH	√		6
G	PAYROLL	√	√	7
H	ASSETS AND INVESTMENTS	√	√	7
I	BANK AND CASH	√	√	7
J	YEAR END ACCOUNTS		√	8
K	LIMITED ASSURANCE REVIEW		√	8
L	TRANSPARENCY		√	8
M	EXERCISE OF PUBLIC RIGHTS – INSPECTION OF ACCOUNTS	√	√	8
N	PUBLICATION REQUIREMENTS	√	√	9
O	TRUSTEESHIP	√		9
	ACHIEVEMENT OF CONTROL ASSERTIONS AT INTERIM AUDIT DATE			10
	INTERIM AUDIT POINTS CARRIED FORWARD			11

A. BOOKS OF ACCOUNT

Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

Audit findings

The interim audit was conducted on site with the Clerk, who also acts as the council's Responsible Financial Officer (RFO). The Clerk had prepared the information advised in advance of the visit, and I have the impression that accounting records are neatly maintained and easily accessible. Other information was reviewed through discussion with the Clerk and a review of the council's new website www.hooe-pc.gov.uk

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.

The council has been through a difficult period, with changes within the councillor team as the council has tried to adopt a more robust approach to following the statutory and regulatory framework for Parish Councils. The set up of a council website will assist the council in meeting requirements relating to the publication of statutory documents and provides greater transparency for those keen to understand the decisions and actions of the council.

While there remains work to be done to complete this transition, the Clerk should be commended for her commitment and dedication in addressing the shortfalls identified in previous internal audit reports, and I encourage the council to continue with the noticeable improvements.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

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

Audit findings

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

The External Auditor's report for 2021/22 was not qualified. The External Auditor commented under other matters 'We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2021/22 for the exercise of public rights, since correct information was not published on a website as well as a noticeboard.

As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2022/23 and ensure that it makes proper provision for the exercise of public rights during 2023/24.

The smaller authority has confirmed that it has not complied with the governance assertions in Section 1, Boxes 3 and 4, but it has provided the appointed auditor with an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified.

Internal control objectives M and N in the Annual Internal Audit Report were ticked 'No' accordingly. In the completion of the Annual Internal Audit Report, the internal auditor has drawn attention to weaknesses in relation to internal control objective B.

The smaller authority must ensure that action is taken to address these areas of weakness in a timely manner.'

The External Auditor's report has been published on the council website, along with the Notice of Conclusion of Audit, and was reported to the council at the meeting held on 24 October 2022.

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 a link to the Wealden District Council website where details of the Register of Members Interests are published.

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

As the council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so. I recommend reviewing the way the information is published on the website of West Chiltonton Parish Council as a best practice example via this link www.wcpc.org.uk/transparency

Confirm that the council is compliant with GDPR

The council is fully aware of GDPR and has undergone training. It was noted the council has established common email addresses for all councillors, although these are not exclusively being used for Parish Council business. 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.

Future meeting dates for full council are published on the council website, along with historic agendas and minutes.

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. The agendas are structured in such a way as to make clear the content of each agenda item.

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

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 the current NALC model and were most recently reviewed and adopted by council in May 2022 (minute ref 8a).

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

Financial Regulations are based on the current NALC model and were last reviewed and adopted by council in May 2022 (minute ref 8a). The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council.

Check that the council's Financial Regulations are being routinely followed.

The council has thresholds in place at which authorisations to spend must be obtained as below:

FR 4.1. Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:

- *the council for all items over £3,000;*
- *a duly delegated committee of the council for items over £1000; or*
- *the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below £750*
- *the clerk for any items below £500*

Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk, and where necessary also by the appropriate Chairman.

Contracts may not be disaggregated to avoid controls imposed by these regulations.

FR 4.5. In cases of extreme risk to the delivery of council services, the clerk may authorise revenue expenditure on behalf of the council which in the clerk's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £1000. The Clerk shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.

Based on the level of financial activity of the council, 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.

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 section 137 expenditure for the year, which is within the allowable limit. Through discussion with the Clerk, I discovered that the council has no Grants Policy, and has tended to provide funding to organisations because 'it has always funded them'.

I recommend the council adopts a Grant Policy and provides a Grant Application form on the website. This will ensure that any future funding requests are considered by the council in a fair and transparent manner, with a consistent set of criteria applied to the requests.

Check receipt of VAT refund matches last submitted VAT return.

The council now submits its VAT return on an annual basis. I reviewed the submission for the period ending 31 March 2022, at which point the Clerk also submitted returns for the previous year's allowable under VAT reclaim rules as the council had failed to submit claims during this period.

I was able to confirm receipt of the reclaimed amounts to the council's bank account on 15 September 2022, and the council is now up to date with its VAT postings.

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

The system noted above details internal review now takes place and I am now confident 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 the Clerk has continues to work on to adapt and improve the content. In its current format, it is simple in nature but provides sufficient detail for a council of this size. **I recommend the council adopts a Risk Management Policy outlining the council's approach to risk management and publish this on the council website with its other adopted policies.**

The Clerk confirmed that a new process for the booking and assessment of events is currently in progress.

I confirmed that the council has a valid insurance policy in place with BHIB which expires on 31 May 2023. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fidelity Guarantee of £250,000 which is sufficient for a council of this size.

D. BUDGET, PRECEPT AND RESERVES

Internal audit requirement

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Audit findings

The council set a precept of £32,000 for 2022/23. With a tax base of 206.9, this equates to a band D equivalent of £154.66 (compared to the average in England of £74.81).

The Clerk confirmed that the 2023/24 budget and precept were approved at the council meeting held on 16 January 2023, and the Clerk has submitted the precept request to Wealden District Council. I reviewed the budget preparation work, and there is clear evidence that careful consideration of historic and projected future spending has been given prior to determining the final figures.

The Clerk presents budget performance information at council meetings for review, and now uses the reports produced by the accounting software. There is evidence within the council minutes of consideration of financial matters, including the noting of payments for approval and bank reconciliations.

The council holds circa £59,500 in a range of clearly identifiable earmarked reserves, and through testing the purpose of these with the Clerk I am content they are all for legitimate future planned projects of the council.

The council also holds a general reserve balance of £30,170.

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 receives income from a range of other sources. A review of the accounting records shows that income received is processed with sufficient narrative information to identify the source of the transaction, and appears to have been processed to the most appropriate nominal code.

During my audit testing, I found no evidence of 'off-setting' of income against expenditure.

The council has recently reviewed and approved the charges made for football, stoolball, the Village Hall, allotments and event hire, and the outcome of these reviews are recorded in council minutes during the year.

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

The Clerk is the only employee and has a signed contract of employment, based on the NALC template.

The council uses a third party for processing payroll, who calculates the PAYE and pension deductions. I reviewed the most recent payslips, and the payroll deductions appear correct. The salary payments are authorised and paid by the council in the same way as other payments.

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 basic fixed asset register in place, although the Clerk is continuing to work on updating this. She suggested introducing a 'de minimis' limit of £50, whereby future assets under this value are not added to the asset register. This is commonly done in Parish Councils, and the suggested £50 limit seems appropriate for a council of this size.

There appears to be issues within the council with some assets having been removed by individuals who used to be councillors but are no longer associated with the council. **The council must use its best endeavours to ensure all property of the council is retrieved, accurately recorded on the asset register, and securely held by the council in a suitable location.**

A detailed check of the register to ensure it is up to date and matches the AGAR information will be completed at the year-end audit, and further comment on its suitability provided at that point.

The council has no PWLB borrowing nor long-term investments.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

Financial Regulation 2.2 states 'On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council.'

Bank reconciliations are completed monthly. 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 Financial Regulations.

I note the council has accounts with different financial providers to maximise the protection limit offered by the Financial Services Compensation Scheme (FSCS).

J. YEAR END ACCOUNTS**Internal audit requirement**

Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

Audit findings

Testing to be conducted at final audit.

K. LIMITED ASSURANCE REVIEW**Internal audit requirement**

If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick “not covered”)

Audit findings

Testing to be conducted at final audit.

L: TRANSPARENCY**Internal audit requirement**

If the authority has an annual turnover not exceeding £25,000, it publishes information on a website / webpage up to date at the time of the internal audit in accordance with the Transparency Code for Smaller Authorities

Audit findings

Testing to be conducted at final audit.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS**Internal audit requirement**

The authority has demonstrated that during summer 2022 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Audit findings

Inspection – key dates	2021/22 Actual
Date AGAR signed by council	10 June 2022
Date inspection notice issued	20 June 2022
Inspection period begins	22 June 2022
Inspection period ends	2 August 2022
Correct length (30 working days)	Yes
Common period included (first 10 working days of July)	Yes

The External Auditor’s Report noted the following ‘We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2021/22 for the exercise of public rights, since correct information was not published on a website as well as a noticeboard.

As a result, the smaller authority must answer ‘No’ to Assertion 4 of the Annual Governance Statement for 2022/23 and ensure that it makes proper provision for the exercise of public rights during 2023/24.’

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

The External Auditor's Report noted the following *'We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2021/22 for the exercise of public rights, since correct information was not published on a website as well as a noticeboard.*

As a result, the smaller authority must answer 'No' to Assertion 4 of the Annual Governance Statement for 2022/23 and ensure that it makes proper provision for the exercise of public rights during 2023/24.'

I was able to confirm that the Notice of Conclusion of Audit and External Auditor Report and Certificate are published on the council's new website, but **the publication requirements for 2021/22 were not met due to the absence of a website for the statutory information needing to be published at the time of the production of the AGAR.**

O. TRUSTEESHIP

Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

Audit findings

The council has no trusts.

Achievement of control assertions at interim audit date

Based on the tests conducted during the interim audit, our conclusions on the achievement of the internal control objectives are summarised in the table below. A further review and update of this opinion will be conducted at the final audit.

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the financial year	√		
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	√		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	√		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	√		
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	√		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for			√
G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	√		
H	Asset and investments registers were complete and accurate and properly maintained.	√		
I	Periodic bank account reconciliations were properly carried out during the year.	√		
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	√		
K	If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. <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 the council adopts a Grant Policy and provides a Grant Application form on the website. This will ensure that any future funding requests are considered by the council in a fair and transparent manner, with a consistent set of criteria applied to the requests.	
RISK MANAGEMENT AND INSURANCE	I recommend the council adopts a Risk Management Policy outlining the council's approach to risk management and publish this on the council website with its other adopted policies.	
ASSETS AND INVESTMENTS	The council must use its best endeavours to ensure all property of the council is retrieved, accurately recorded on the asset register, and securely held by the council in a suitable location.	