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Mrs J Hoodless  
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6 May 2022

Dear Jenny

**Re: Hellingly Parish Council**  
**Internal Audit Year Ended 31 March 2022**

### Executive summary

Following completion of our interim internal audit on 11 October 2021 and final audit on 6 May 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. **Testing requirements are shown in red** and where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

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, followed by recommended minimum testing requirements. Each section is then concluded with an opinion as to whether the assertion has been met or not.

While there are a number of recommendations for the council to consider, our sample testing did not uncover any errors or misstatements that require reporting to the external auditor, 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 very 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 Hellingly 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 issued to the council covering the 2021/22 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.

- There have been no 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 my 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 (INTERIM AUDIT)****Internal audit requirement**

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

**Recommended minimum testing:**

- Ensure the correct roll forward of the prior year cashbook balances to the new financial year
- Check a sample of financial transactions in cashbooks to bank statements, etc.: the sample size dependent on the size of the authority and nature of accounting records maintained

**Interim audit**

The council uses the Rialtas Business Solutions (RBS) accounting system for recording the day-to-day financial transactions of the council. This is a tried and tested industry specific package and I make no recommendation to change. The Clerk is the sole user, although there are plans underway for a second user to be trained which will provide valuable cover in the event of the unexpected incapacity or loss of the Clerk.

The interim audit was conducted on site with the Clerk, who was able to provide information as requested and direct me to the relevant sections of the council website. The website, while containing most of the information requested, is illogical in places and may be difficult for a resident to navigate with no prior knowledge of the local council sector. The Clerk has plans in place to review and improve the website.

Meeting agendas are logically structured and minutes show clear resolutions being made by committee and council. I make no recommendation to change this system.

The council had previously been advised to register for VAT due to the construction of the Community Hub, although additional advice found this to be unnecessary and the deregistration process has been completed. Reclaims are made via a VAT 126 claim form, normally on a quarterly basis, although the last VAT reclaim was for the period 1 April to 31 August 2021 inclusive and showed a refund position of £16,947.74. I confirmed this amount was received to the council's bank account on 14 September 2021. The council is up to date with its postings.

**Section conclusion**

I am of the opinion that the control assertion of "Appropriate accounting records have been properly kept throughout the financial year" has been met.

**B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS (INTERIM AND FINAL AUDIT)****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.*

**Recommended minimum testing:**

- Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the Standing Orders and Financial Regulations which should be based on the latest version.
- Ensure that consistent values are in place for the acquisition of formal tenders between Standing Orders and Financial Regulations (frequently different limits are recorded in the two documents)
- Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation
- Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments
- Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements

- Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place

### Interim audit

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

The external auditor's report was on 12 September 2021 and included a qualifying comment regarding a notification from the internal auditor regarding the non-publication of the 2019-20 Notice of Public Rights. This will be reported to council at the October 2021 meeting and the Notice of Conclusion of Audit has been published on the noticeboards but has not yet been published on the website, and **this must be done as soon as possible**.

There is evidence within the minutes of meetings of the receipt and review of the internal audit reports, although the appointment of the new internal auditor does not appear to be minuted and **I recommend this is included at the next opportunity**.

#### *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 Disclosable Pecuniary Interests of each Member, although a couple appear to be missing and the **Clerk will ensure these are added**.

#### *Confirm that the council is compliant with the relevant transparency code*

The council's income and expenditure exceed £200,000 per annum, and it is therefore recommended to follow the Local Government Transparency Code. A review of the council website shows that the council is publishing some of the information contained within the code. If the council wishes to provide full transparency for its residents, I recommend reviewing the website of West Chilton Parish Council as an example of how to set out the information [www.wcpc.org.uk/transparency/](http://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. 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. It is clear the council takes its responsibilities seriously and has made every effort to comply with the legislation.

#### *Confirm that the council meets regularly throughout the year*

In addition to full council, the council has committees for Finance, Cemetery & Allotments, Halls, Planning and Grounds. Each committee has Terms of Reference. There are regular scheduled meetings during the year, and a diary of future meetings is available on the website.

#### *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 supporting documentation for agendas is published on the council website.

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

Draft minutes are uploaded to the council website, usually within 48 hours of the meeting, and these are clearly marked as draft. These are subsequently replaced with final versions once approved.

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

The standing orders are based on an old NALC model, and these were most recently adopted by council at the Annual Meeting on 19 May (minute ref 009.05.21(b)).

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

Financial regulations are based on the latest NALC model, and these were most recently adopted by council at the Annual Meeting on 19 May (minute ref 009.05.21(a)). 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:

- The Council for all items over £10,000
- A duly delegated committee of the council for items over £1,000
- The Clerk, in conjunction with the Chairman of Council or Chairman of the appropriate committee, for any items below £1,000

It was noted that the Clerk also has discretion to spend up to £1,000 in the event of extreme risk to the delivery of council services.

I reviewed a sample of expenditure items for the current financial year. Payments are reported to council, and this is noted in the minutes of meetings. **However, for one invoice chosen for review, we were unable to trace the correct authorisation level as per Financial Regulations had been adhered to.** A further review of sample invoices will be conducted at the year-end to check the correct authorisation process is being followed.

There is evidence within the minutes of meetings of independent monthly checks of the bank reconciliations taking place as per Financial Regulations.

***Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.41 per elector.***

The council has section 137 expenditure within thresholds.

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

The system noted above details internal review takes place.

**Final Audit**

The final audit was conducted on site with the Clerk and Deputy Clerk. The requested information was to hand, and I am pleased to note that all actions highlighted within my interim report have been acted on. The updates to these actions are recorded at the end of the report.

**Section conclusion**

I am of the opinion that the control assertion "This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for" has been partially met and with the planned actions of the Clerk will be met by the year-end.

**C. RISK MANAGEMENT AND INSURANCE (INTERIM AND FINAL AUDIT)*****Internal audit requirement***

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

**Recommended minimum testing:**

- Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc
- Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security
- Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation

**Interim audit**

The council has a simple risk assessment process in place which lists service areas, risks and recommendations. There are a couple of inconsistencies with information on the risk assessment and the insurance policy, and **the Clerk will ensure these are amended.**

We discussed potential improvements to the risk assessment which would include the use of a simple risk matrix to assess the likelihood and potential impact of each risk. I have forwarded to the Clerk under separate cover an example of the use of a matrix for consideration.

I confirmed that the council has a valid insurance policy in place with Hiscox which expires on 31 May 2022. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fidelity Guarantee level of £600,000. Given the balances held by the council are consistently in excess of this figure, **I recommend the council reviews this amount to ensure it is sufficient.**

**Final Audit**

We discussed assertion 8 on the AGAR and whether or not this had any impact on the council.

*“We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.”*

The Clerk was able to confirm there were no matters excluded from the accounting statements.

**Section conclusion**

I am of the opinion that the control objective of “This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these” has been met.

**D. BUDGET, PRECEPT AND RESERVES (INTERIM AND FINAL AUDIT)****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.*

**Recommended minimum testing:**

- Ensure that the full authority, not a committee, has considered, approved and adopted the annual precept in accordance with the required parent authority timetable
- Ensure that budget reports are prepared and submitted to authority / committees periodically during the year with appropriate commentary on any significant variances
- Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances
- Ensure that the authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process
- Ensure that the precept in the accounts matches the submission form to the relevant authority and the public record of precepted amounts

**Interim audit**

The Clerk confirmed that the budget setting process for 2022/23 has commenced. Each committee reviews its own budget requirements, based on a recommendation from the Clerk. The Finance Committee then prepares a draft budget for recommendation to Council, who aim to set the budget at the December meeting, although the precept may not be determined until January (depending on receipt of the tax base information).

The council’s Financial Regulations make reference to a three-year forecast, although the Clerk confirmed that this does not currently exist. It is recommended best practice to have a three-year plan, and this should help the council deliver its projects for the future.

The council holds circa £1 million in earmarked reserves, mainly as a result of legacy funds given to the council for maintenance of the Country Park in perpetuity. At the start of the year the council also held circa £38,000 in the general reserve. Council is reminded that general guidance recommends a level of general reserve be maintained at circa six months equivalent of precept, and this will be reviewed at the year-end.

#### **Final audit**

The council's year-end position reports income at circa 175% of budget and expenditure is reported as circa 145% of budget. The surplus income more than covers the additional expenditure and there has been carefully monitored throughout the year, and this is supported by reference to the council minutes.

At year-end, the council held circa £1,139,292 in a number of clearly defined earmarked reserves. I tested the purposes of the earmarked reserves with the Clerk and am content that they are all for legitimate future planned projects for the council.

The council has a general reserve of £34,193 at the year-end. Council is reminded that general guidance recommends a level of general reserve be maintained at circa six months equivalent of precept. The level held is lower than would normally be expected, but as the council holds significant earmarked reserves which could be utilised in the event of a cashflow shortfall, this does not represent a risk.

#### **Section conclusion**

I am of the opinion that the control objective of "The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate" has been met.

### **E. INCOME (INTERIM AUDIT)**

#### **Internal audit requirement**

*Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.*

#### **Recommended minimum testing:**

- Review "aged debtor" listings to ensure appropriate follow up action is in place
- Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.
- Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates)
- Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised
- Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time
- Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income
- Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked

#### **Interim audit**

Apart from the precept, the council received regular income from burial fees and cemetery income, allotments, hall hires, leases for the Village Hall and cricket club, and a payment from Hailsham Town Council as a result of an agreement based on a boundary change. The council does not accept cash payments and receives money only through BACS and cheques.

The council has also received large sums in recent years related to the significant development in and around the village. Some of these funds are held in reserves for future maintenance of land owned by the council, while other CIL funds have been used to build and develop the Community Hub.

**Section conclusion**

I am of the opinion that the control objective of “Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for” has been met.

**F. PETTY CASH (INTERIM AUDIT)****Internal audit requirement**

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

**Recommended minimum testing:**

- A number of authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a “not applicable” response is frequently required in this area.
- Review the systems in place for controlling any petty cash and cash floats (used for bar, catering, etc.)
- Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held
- Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held
- Ensure that VAT is identified wherever incurred and appropriate
- Physically check the petty cash and other cash floats held
- Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till “Z” total readings

**Interim audit**

The council has no petty cash.

**Section conclusion**

I am of the opinion the control objective of “Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for” is not applicable as the council has no petty cash.

**G. PAYROLL (INTERIM AND FINAL AUDIT)****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.*

**Recommended minimum testing:**

- Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract
- Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability
- Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and with the contracted hours
- Ensure that appropriate tax codes are being applied to each employee
- Where free or paid for software is used, ensure that it is up to date.
- For the test sample of employees, ensure that tax is calculated appropriately
- Check the correct treatment of pension contributions to either the Local Government pension scheme (non - taxable, deducted from the gross salary or DC schemes like NEST which already allow for tax deductions)
- For NI, ensure that the correct deduction and employer’s contributions are applied: NB. The employers’ allowance is not available to councils but may be used by other authorities
- Ensure that the correct employers’ pension percentage contribution is being applied
- Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies



**Interim audit**

The council processes payroll internally using IRIS. There are eight staff members, all registered on payroll all with signed contracts of employment based on the NALC model. Eligible employees are enrolled in a pension scheme with Aviva. A review of payroll information provided for the audit shows that PAYE and NI deductions appear correct.

There is a councillor allowance scheme which is paid through payroll on an annual basis. Not all councillors elect to take the allowance, with the level set based on the Wealden District Council remuneration report. The council is reminded that co-opted councillors are not eligible for the basic councillor allowance under The Local Authorities (Members' Allowances) (England) Regulations 2003.

**Final Audit**

I was able to confirm that the amount entered in box 4 on the AGAR correctly reflects only allowable staff costs, i.e., salaries, employers National Insurance and pensions contributions.

All staff members on the NJC scale have received the backdated pay rises in their March salaries.

**Section conclusion**

I am of the opinion that salaries are correctly stated on the AGAR and that the control object of "Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied" has been met.

**H. ASSETS AND INVESTMENTS (INTERIM AND FINAL AUDIT)****Internal audit requirement**

*Asset and investments registers were complete and accurate and properly maintained.*

**Recommended minimum testing:**Tangible fixed assets

- Ensure that the authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets
- Physically verifying the existence and condition of high value, high risk assets may be appropriate
- Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement
- Additions and disposals records should allow tracking from the prior year to the current
- Ensure that the asset value to be reported in the AGAR at Section 2, Box 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and /or disposals
- Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or "self-insured" by the authority

Fixed asset investments

- Ensure that all long-term investments (i.e., those for more than 12-month terms) are covered by the "Investment Strategy" and reported as Assets in the AGAR at Section 2, Box 9.

Borrowing and lending

- Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired
- Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt
- Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at Section 2 Box 5
- Ensure that the outstanding loan liability as of 31st March each year is correctly recorded in the AGAR at Section 2, Box 10 (value should be verified via the DMO website)
- Where the authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt

**Interim audit**

The council has a fixed asset register which is maintained in an Excel format. The register provides a description of the asset, its date of acquisition, location, useful life estimate, original/proxy cost, insurance value and replacement value. This is suitable for a council with assets of this nature.

**Final Audit**

The asset register has been updated during the year and includes additions and disposals. I was able to trace the change in asset register total and confirmed that the amount entered onto the AGAR matches the total for 31 March 2022.

I confirmed the outstanding PWLB balance to the PWLB year-end statement.

**Section conclusion**

I am of the opinion that the control objective of "Asset and investments registers were complete and accurate and properly maintained" has been met.

**I. BANK AND CASH (INTERIM AND FINAL AUDIT)****Internal audit requirement**

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

**Recommended minimum testing:**

- Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members
- Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, Section 2, Box 8
- Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy

**Interim audit**

Bank reconciliations are reported to council on a monthly basis. As per Financial Regulation 2.2, a councillor independently checks the reconciliations and reviews the bank statements, and I was provided with evidence of this activity for July 2021. It was noted that the councillor has not been signing the bank statements, and **I recommend this is done to comply with the regulation.**

I reviewed the bank statements for July and confirmed the balances against the statements. The council currently holds all funds with Barclays Bank and would benefit from the protection offered by the Financial Services Compensation Scheme (FSCS) which protects councils with budgets of under €500,000. More information on the scheme can be found via [www.fscs.org.uk](http://www.fscs.org.uk)

**Final Audit**

At the year-end the council had a reconciled bank position across all its accounts, and I was able to confirm bank balances to the statements for 31 March 2022.

A new Unity Trust Bank Account has been opened to take advantage of the Financial Services Compensation Scheme (FSCS) protection limit since the interim audit and council is about to decide the amount to initially transfer.

**Section conclusion**

I am of the opinion that bank and cash balances are properly shown on the AGAR and that the control objective of "Periodic and year-end bank account reconciliations were properly carried out" has been met.

**J. YEAR END ACCOUNTS (FINAL AUDIT)****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.

**Recommended minimum testing:**

- Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein
- Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end

**Section 1 – Annual Governance Statement**

|   | <b>Annual Governance Statement</b>   | <i>'Yes' means that this authority</i>   | Suggested response based on evidence   |
|---|--|--|--|
| 1 | We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.  | <i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>   | <b>YES</b> –accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.                         |
| 2 | We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.  | <i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>   | <b>YES</b> – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny. |
| 3 | We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances. | <i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>   | <b>YES</b> – the Clerk is experienced and advises the council in respect of its legal powers.                                      |
| 4 | We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.   | <i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>   | <b>YES</b> – the requirements and timescales for 2020/21 year-end were followed.   |
| 5 | We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.  | <i>considered and documented the financial and other risks it faces and dealt with them properly.</i>  | <b>YES</b> – the council has a risk management scheme and appropriate external insurance.  |
| 6 | We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.  | <i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i> | <b>YES</b> – the council has appointed an independent and competent internal auditor.  |
| 7 | We took appropriate action on all matters raised in reports from internal and external audit.  | <i>responded to matters brought to its attention by internal and external audit.</i>   | <b>YES</b> – the council takes action on recommendations within internal audit reports   |

|   |   |  |   |
|---|---|--|---|
| 8 | We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements. | <i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i> | <b>YES</b> – no matters were raised during the internal audit visits. |
| 9 | Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.               | <i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>                     | <b>N/A</b> – the council has no trusts                                |

### Section 2 – Accounting Statements

At the time of the year-end audit, the AGAR figures presented for checking were as below:

| AGAR Box Number |  | 2020/21    | 2021/22   | Auditor Notes   |
|-----------------|--|------------|-----------|---|
| 1               | Balances brought forward                                 | 1,235,301  | 1,104,110 | Correctly carried over from box 7 2020/21                 |
| 2               | Precept or rates and levies                              | 134,632    | 148,254   | Confirmed against precept amount received                 |
| 3               | Total other receipts                                     | 412,492    | 261,134   | Confirmed against accounting records                      |
| 4               | Staff costs  | 117,423    | 147,425   | Confirmed against accounting records                      |
| 5               | Loan interest/capital repayments                         | 0          | 0         | Verified against PWLB statement                           |
| 6               | All other payments                                       | 560,892    | 192,587   | Confirmed against accounting records                      |
| 7               | Balances carried forward                                 | 1,104,110  | 1,173,486 | Total correctly equals (1+2+3) – (4+5+6)                  |
| 8               | Total value of cash and short-term investments           | 987,306    | 1,164,986 | Confirmed against accounting records and account balances |
| 9               | Total fixed assets plus long-term investments and assets | 2,303,798  | 2,305,403 | Verified against asset register                           |
| 10              | Total borrowings   | 0          | 0         | Verified against PWLB statement                           |
| 11              | Disclosure note re Trust Funds (including charitable)    | <b>YES</b> | <b>NO</b> | n/a – the council has no trusts                           |

The year-end accounts have been correctly prepared on the income and expenditure basis with the box 7 & 8 reconciliation explained using the RBS reserves reconciliation.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the previous year's AGAR.

The explanation of variances has been completed to explain the variances where required. I have recommended to the Clerk to add further detail to more precisely define the numerical differences to satisfy the external auditor's requirements.

#### Section conclusion

I am of the opinion that the control assertion "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" has been met.

**K. LIMITED ASSURANCE REVIEW (FINAL AUDIT)****Internal audit requirement**

*If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick “not covered”)*

**Recommended minimum testing:**

- The correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline
- That it has been published, together with all required information on the Authority’s website and noticeboard

**Final audit**

The council did not declare itself exempt from a limited assurance review in 2020/21, and this test does not apply.

**Section conclusion**

I am of the opinion that the control assertion of “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” is not applicable due to the council not declaring itself exempt from a limited assurance review in 2020/21.

**L: TRANSPARENCY (INTERIM AUDIT)****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*

**Recommended minimum testing:**

- This test applies only to those councils covered by the £25,000 External Audit exemption
- Internal auditors should review the authority’s website ensuring that all required documentation is published in accordance with the Transparency Code for Smaller Authorities

**Interim audit**

The council has an annual turnover exceeding £25,000, and this test does not apply.

**Section conclusion**

I am of the opinion that the control assertion of “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” is not applicable due to the council turnover exceeding £25,000.

**M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS (FINAL AUDIT)****Internal audit requirement**

*The authority has demonstrated that during summer 2021 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.*

**Recommended minimum testing:**

- Internal auditors should acquire / examine a copy of the required “Public Notice” ensuring that it clearly identifies the statutory 30 working day period when the authority’s records are available for public inspection.
- Internal auditors may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

## Final Audit

| Inspection – key dates                                 | 2020/21 Actual | 2021/22 Proposed |
|--|----------------|------------------|
| Date inspection notice issued                          | 18 June 2021   | 10 June 2022     |
| Inspection period begins                               | 21 June 2021   | 13 June 2022     |
| Inspection period ends                                 | 30 July 2021   | 22 July 2022     |
| Correct length (30 working days)                       | Yes            | Yes              |
| Common period included (first 10 working days of July) | Yes            | Yes              |

I am satisfied the requirements of this control objective were met for 2020/21, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council. I have confirmed that the proposed timescales for 2021/22 are within the requirements of this control objective.

The council plans to sign the AGAR at the meeting to be held on 11 May 2022.

**Section conclusion**

I am of the opinion that the control assertion “the authority has demonstrated that during summer 2021 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations” has been met.

**N: PUBLICATION REQUIREMENTS (INTERIM AUDIT)****Internal audit requirement**

*The authority has complied with the publication requirements for 2020/21. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.*

**Recommended minimum testing:**

- Internal auditors should acquire / examine a copy of the required “Public Notice” ensuring that it clearly identifies the statutory 30 working day period when the authority’s records are available for public inspection.
- Internal auditors may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

*Before 1 July 2021 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 2020/21, approved and signed, page 4
- Section 2 - Accounting Statements 2020/21, approved and signed, page 5

*Not later than 30 September 2021 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.*

**Interim audit**

I was able to confirm that the publication requirements for 2020/21 have been met and the Notice of Public Rights is published on the council website.

**Section conclusion**

I am of the opinion that the control assertion of “the authority has complied with the publication requirements for 2020/21 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage” has been met.

## O. TRUSTEESHIP (INTERIM AUDIT)

### **Internal audit requirement**

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

#### **Recommended minimum testing:**

- Confirm that all charities of which the council is a Trustee are up to date with Charity Commission filing requirements
- that the council is the sole trustee on the Charity Commission register
- that the council is acting in accordance with the Trust deed
- that the charity meetings and accounts are recorded separately from those of the council
- review the level and activity of the charity and where a risk-based approach suggests such, review the Independent Examiner's report

### **Interim audit**

The council has no trusts.

#### **Section conclusion**

I am of the opinion that the control assertion of "Trust funds (including charitable) – The council met its responsibilities as a trustee" is not applicable as the council has no trusts.

Should you have any queries please do not hesitate to contact me.

Yours sincerely



**Andy Beams**  
For Mulberry & Co

| <b>Audit Point</b>                                    | <b>Interim Audit Findings</b>  | <b>Year-end notes</b>  |
|---|--|--|
| <b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS</b> | Notice of Conclusion of Audit to be published on the council website as soon as possible.        | The Notice of Conclusion was reported to the Finance Committee at November meeting and is published on the website.  |
| <b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS</b> | Appointment of Internal Auditor to be confirmed in the minutes.                                  | This was reported to the council meeting held in October 2021 and retrospective approval was obtained.   |
| <b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS</b> | Missing Register of Members' Interests Forms to be added to the council website.                 | I confirmed these are now published on the council website.  |
| <b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS</b> | All invoices to be authorised in accordance with Financial Regulations.                          | I was able to confirm that procedures have been updated and minute references of large payments are now recorded to prove authorisation.   |
| <b>RISK MANAGEMENT AND INSURANCE</b>                  | Risk assessment and insurance schedule to be compared to ensure details match.                   | The Clerk confirmed that the anomalies have now been resolved.   |
| <b>RISK MANAGEMENT AND INSURANCE</b>                  | Fidelity Guarantee level to be reviewed as currently significantly below level of balances held. | The level of Fidelity Guarantee has been increased to £1 million, although based on the year-end balances this may still be insufficient. The Clerk will review further at the renewal date. |