



## MULBERRY & CO

Chartered Certified Accountants  
Registered Auditors  
& Chartered Tax Advisors

9 Pound Lane  
Godalming  
Surrey, GU7 1BX

t + 44(0)1483 423054  
e office@mulberryandco.co.uk  
w www.mulberryandco.co.uk

Our Ref: MARK/NOR001

Mrs L Chater  
North Mundham Parish Council  
1 Charlmead  
East Wittering  
Chichester  
West Sussex  
PO20 8DN

4 October 2023

Dear Louise

**Re: North Mundham Parish Council**  
**Internal Audit Year Ended 31 March 2024 – Interim Audit report**

### **Executive summary**

Following completion of our interim internal audit on 4 October 2023 we enclose our report for your kind attention and presentation to the council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date.

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

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

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

It is therefore our opinion that the systems and internal procedures at North Mundham Parish Council are well established and followed.

### **Regulation**

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily. The internal audit reports should therefore be made available to all Members to support and inform them when they considering the authority's approval of the annual governance statement.

### Independence and competence

Your audit was conducted by Andy Beams of Mulberry & Co, who has over 30 years' experience in the financial sector with the last 13 years specialising in local government.

Your auditor is independent from the management of the financial controls and procedures of the council and has no conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

### Engagement Letter

An engagement letter was previously issued to the council covering the 2023/24 internal audit assignment. Copies of this document are available on request.

### Planning and inherent risk assessment

The scope and plan of works including fee structure was issued to the council under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR. As part of the inherent risk assessment, we have concluded that:

- There have been no reported instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is our opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be "walk through testing" on sample data to encompass the period of the council year under review.

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## A. BOOKS OF ACCOUNT

### **Internal audit requirement**

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

### **Audit findings**

The interim audit was conducted on site with the Clerk, who also acts as the council's Responsible Financial Officer (RFO). The Clerk 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 website [www.northmundham.org](http://www.northmundham.org)

The council continues to use Excel for recording the day-to-day financial transactions of the council. The system is used regularly to report on and record the financial transactions of the council and produce management information reports for council. The Clerk is very experienced and has developed a set of processes and procedures ideally suited to a council of this size.

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

## B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

### **Internal audit requirement**

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

### **Audit findings**

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

The External Auditor's report for 2022/23 was not qualified and has been published on the council website, along with the Notice of Conclusion of Audit. This was reported to council at the meeting held on 5 September 2023.

*Confirm by sample testing that councillors sign statutory office forms*

I confirmed by sample testing that councillors sign "Acceptance of Office" forms. The council website provides details of the individual councillor's Register of Members' Interests forms.

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

As the council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so. A review of the council website shows that the council is publishing the information contained within 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 Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide (March 2023) contains updated guidance on the matter as below:

### *The importance of secure email systems and GOV.UK*

*5.205. All authorities except parish meetings must now have an official website. To comply with GDPR, councils should provide official email accounts for their councillors as well as for their clerk and other officers.*

*5.206. When choosing a domain name for the council's website and emails, many local council websites are appropriately making use of the official GOV.UK domain (for example, ourparishcouncil.gov.uk), with email addresses being linked to that domain.*

5.207. *Using a GOV.UK domain for your council website and email accounts demonstrates the council's official local government status. Members of the public are increasingly cyber security awareness, so a GOV.UK domain can also help to build trust, and credibility and visibly demonstrates authenticity. Many people will now reasonably expect a local council to have a GOV.UK domain name.*

5.208. *For the purposes of user management, councils should ensure that the proper officer can add and remove member and staff email accounts. Commercial 'dashboard' email and web systems offer centralised searching of all data contained within the system for effective compliance with GDPR Subject Access Requests and Freedom of Information Requests.*

The council has a Privacy Notice and Accessibility Statement on the home page of its website, and it is clear the council has made every effort to comply with the website requirements.

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

In addition to full council, the council has committees for Planning, Code of Conduct, Complaints, Village Hall Management and Employment. Terms of reference for each committee are published on the council website, along with future meeting dates and historic agendas and minutes for council and committee meetings.

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

I was able to confirm that at least 3 clear days' notice is given on agendas. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting.

I note that the council is publishing the non-confidential supporting documents on the website in accordance with the requirements of the Information Commissioner's Office.

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

Draft minutes are uploaded to the council website and replaced with the 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 the current NALC model and were most recently reviewed and adopted by council in May 2023.

*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 2023. 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 £5,000*
- *a duly delegated committee of the council for items over £1,000; or*
- *the Clerk, for any items below £1,000.*

*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 £1,000. 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 and through discussion with the Clerk, 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.

There are regular agenda items informing councillors of the financial position of the council, including a monthly financial statement and a payment list. These items are included within the published supporting papers for council meetings.

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

The council has re-adopted the General Power of Competence (GPC) following the May 2023 election and the section 137 thresholds do not apply.

*Check receipt of VAT refund matches last submitted VAT return*

The council submits its VAT return annually or twice yearly, depending on the amount to reclaim. I reviewed the submission for the period ending 31 March 2023 which showed a refund amount due of £1,383.32. I was able to confirm receipt of this amount to the council's bank account on 3 May 2023. The council is up to date with its VAT submissions.

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

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

## C. RISK MANAGEMENT AND INSURANCE

### **Internal audit requirement**

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

### **Audit findings**

The Clerk prepares an annual agenda item covering the financial risk assessment, health and safety and insurance. This provides councillors with detailed information about the importance and purpose of each item, and requests approval from the council to adopt the updated document.

I reviewed the existing risk assessment, which shows a description of the types of risks and their location, assesses the risk potential and severity as high/medium/low, details existing control measures in place, lists insurance arrangements relative to the risk and any further action needed. This is a comprehensive approach and covers all the risks typically associated with a council of this size.

I confirmed that the council has a valid insurance policy in place arranged through BHIB and underwritten by Aviva which expires on 21 November 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 £45,817 for 2023/24. With a tax base of 626.0, this equates to a band D equivalent of £73.19 (compared to the average in England of £79.35).

The Clerk confirmed that the 2024/25 budget setting process has begun with a first draft available for review at the interim audit, with the aim to agree the budget and precept at the January 2024 council meeting.

The Clerk presents the budget performance information at every council meeting for review. This shows spend against budget and includes a percentage figure to make the information easily understandable, allowing councillors to make informed financial decisions.

The council holds circa £109,000 in earmarked reserves. These are split across clearly identifiable projects for the council and include a sum received from Community Infrastructure Levy (CIL) with the date by which this money must be used. The council also held circa £36,000 in the general reserve at the start of the financial year.

Council is reminded that the Joint Panel on Accountability and Governance (JPAG) Practitioner's guide states '*the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure*' (para 5.33). A check of the year-end general reserve balance will be completed at the final internal audit.

## **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 Village Hall hire fees, with amounts received from bank interest, CIL contributions and VAT refunds.

The hall hire fees are agreed by the Village Hall Management Committee annually and this information is included in the minutes. I was able to confirm the correct the correct rate had been charged against a sample invoice for 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. She has a signed contract of employment, and I was able to confirm from the May payslip that salaries are paid in accordance with the NJC pay scales.

The council uses a third party to process payroll, with the Clerk advising of any additional hours if appropriate. A review of the payslip shows that deduction amounts appear correct.

There is a councillor allowance scheme in place whereby a quarterly payment is made 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 which includes details such as asset location, cost or proxy cost, useful life estimates, usage details and last physical check. write down values and replacement values. This is a comprehensive register for a council of this size and demonstrates that the council manages its assets effectively.

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

The council has 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 or a cheque signatory 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 Finance Committee.'

I reviewed the reconciliations presented for the interim audit and was able to confirm the balances to the bank statements and found no errors.

**At the date of the interim audit, there were no signed reconciliations or bank statements available for review and I will need to see evidence of this at the final audit to satisfy this internal control objective.**

Balances held are within the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) as the council has opened accounts with different providers.

## J. YEAR END ACCOUNTS

### **Internal audit requirement**

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

### **Audit findings**

Testing to be conducted at final audit.

## K. LIMITED ASSURANCE REVIEW

### **Internal audit requirement**

*IF the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")*

### **Audit findings**

The council did not certify itself exempt in 2022/23 due to exceeding the income and expenditure limits and this test does not apply.

**L: PUBLICATION OF INFORMATION****Internal audit requirement**

*The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation*

**Audit findings**

Testing to be conducted at final audit.

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

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

**Audit findings**

Inspection – key dates	2022/23 Actual
Date AGAR signed by council	3 May 2023
Date inspection notice issued	1 June 2023
Inspection period begins	6 June 2023
Inspection period ends	15 July 2023
Correct length (30 working days)	Yes
Common period included (first 10 working days of July)	Yes

I am satisfied the requirements of this control objective were met for 2022/23, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council.

**N: PUBLICATION REQUIREMENTS****Internal audit requirement**

*The authority has complied with the publication requirements for 2022/23. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.*

*Before 1 July 2023 authorities must publish:*

- *Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited*
- *Section 1 - Annual Governance Statement 2022/23, approved and signed, page 4*
- *Section 2 - Accounting Statements 2022/23, approved and signed, page 5*

*Not later than 30 September 2023 authorities must publish:*

- *Notice of conclusion of audit*
- *Section 3 - External Auditor Report and Certificate*
- *Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.*

*It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.*

**Audit findings**

I was able to confirm that the Notice of Public Rights is published on the council website along with the Notice of Conclusion of audit and External Auditor Report and I was able to confirm that the publication requirements for 2022/23 have been met.

**O. TRUSTEESHIP****Internal audit requirement**

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

**Audit findings**

The council has no trusts



**Achievement of control assertions at interim audit date**

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

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the financial year	√		
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	√		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	√		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	√		
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	√		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for			√
G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	√		
H	Asset and investments registers were complete and accurate and properly maintained.	√		
I	Periodic bank account reconciliations were properly carried out during the year.		√	
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	To be tested at final audit		
K	If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")</i>			√
L	The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation	To be tested at final audit		
M	The authority, during the previous year (2022-23) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .	√		
N	The authority has complied with the publication requirements for 2022/23 AGAR.	√		
O	Trust funds (including charitable) – The council met its responsibilities as a trustee.			√

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

**Your final audit date has been booked for Tuesday 23 April 2023 at 1pm.**

Yours sincerely



**Andy Beams**  
For Mulberry & Co

**Interim Audit - Points Carried Forward**

<b>Audit Point</b>	<b>Audit Findings</b>	<b>Council comments</b>
<b>I. BANK AND CASH</b>	At the date of the interim audit, there were no signed reconciliations or bank statements available for review and I will need to see evidence of this at the final audit to satisfy this internal control objective.	