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Our Ref: MARK/NOR002

Mrs S Norman
North Horsham Parish Council
Roffey Millennium Hall
Crawley Road
Horsham
West Sussex
RH12 4DT

18 October 2023

Dear Sarah

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

Executive summary

Following completion of our interim internal audit on 18 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 Horsham 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 requested information advised in advance of the visit, and overall, 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.northhorsham-pc.gov.uk

The council continues to use the Rialtas Business Solutions (RBS) accounting software for recording the council's finances. This is an industry specific accounting package and I make no recommendation to change. The software is used regularly and used to produce management information reports for review at council meetings.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

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

Audit findings

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

The External Auditor's Report was not qualified and has been published on the council website along with the Notice of Conclusion of Audit. This will be formally reported to council at the meeting scheduled for 2 November 2023 having been received after publication of the September agenda.

I note the council received and considered the internal auditor's latest report at the council meeting held on 18 May 2023 (minute ref FC/18/23).

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors sign "Acceptance of Office" forms, and confirmation of this is noted in the council meeting held on 18 May 2023 (minute ref FC/03/23). 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. I note the council has established a transparency tab on the council website and publishes the required information in accordance with 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 and these have been actively in use since the May 2023 election.

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

Confirm that the council meets regularly throughout the year

In addition to full council, the council has a committee structure in place. Terms of reference for each committee are published as part of the council's Standing Orders and are available 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 non-confidential supporting documentation is published on the website alongside the agendas 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 clearly annotated as unconfirmed.

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 July 2023 (minute ref FC/36/23). I note they have been amended to include the council, committee and working party terms of reference.

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 July 2023 (minute ref FC/36/23), based on a recommendation from the June 2023 Finance & Administration committee meeting. I note this included consideration of the recommendations contained within previous internal audit reports, and these have been included in the revised version.

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. The authority for expenditure outside of an approved budget is to be determined by:

- *the council for all items over £5,000.*
- *the Finance and Administration Committee for items between £2,000 and £5,000.*
- *a duly delegated committee of the council for items up to £2,000.*
- *The Clerk, in conjunction with the Chairman of the Council in accordance with clause 4.5.*

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

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

The Property Committee has the responsibility for the Property Repairs and Renewals Fund. A rolling 'Repairs and Maintenance Plan' will be reviewed by the Property Committee and Finance and Administration Committee as part of the annual budget process, in order to determine the annual funding requirement. The Repairs and Renewals Fund will have a base level of £10,000 and will not be used for the funding of new Capital projects.

FR 4.5. In cases of extreme risk to the delivery of council services, the RFO may authorise revenue expenditure on behalf of the council which in the RFO'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 £10,000. The RFO shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.

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) having met the eligibility criteria after the May 2023 election, and this is recorded in the minutes of the council meeting held on 18 May 2023 (minute ref FC/07/23). The section 137 thresholds therefore do not apply.

Check receipt of VAT refund matches last submitted VAT return

The council submits its VAT return on a quarterly basis. I reviewed the submission for the period ending 30 September 2023 which showed a refund amount due of £2,645.14. I was able to confirm receipt of this amount to the council's bank account on 13 October 2023. The council is up to date with its VAT submissions.

Confirm that checks of the accounts are made by a councillor

The council has an internal control action plan, which is monitored by the Internal Controls Working Party who choose a different focus element of the plan to test prior to each meeting. Alongside the system noted above, this confirms that detailed internal review takes place, and I am under no doubt that council properly approves expenditure.

C. RISK MANAGEMENT AND INSURANCE

Internal audit requirement

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

Audit findings

The council has a risk management policy and assessment process in place, which was most recently reviewed and approved on 12 October 2023 (minute ref FA/35/23). I reviewed the financial and management risk assessment record, which details the types of risk identified, the likelihood and impact of occurrence, assigns a perceived risk level, identifies who may be at risk, records mitigation measures in place and any actions required. This is a comprehensive approach and demonstrates that the council takes its risk management responsibilities seriously.

I confirmed that the council has a valid insurance policy in place with Hiscox in a long term agreement expiring in May 2025. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fraud & Dishonesty (Fidelity Guarantee) cover level of £750,000. Based on the balances held by the council the Fidelity Guarantee level is currently sufficient, but the council should keep this under review to ensure it remains higher than the balance held at any point during the financial year.

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 £365,346 for 2023/24. With a tax base of 8,819.3, this equates to a band D equivalent of £41.43 (compared to the average in England of £79.35).

The Clerk confirmed that the 2024/25 budget setting process is underway, with each committee considering their element of the budget during the meetings held in September, before an initial draft was considered by the Finance & Administration committee at its meeting held on 12 October 2023. A further Finance & Administration meeting scheduled for 14 December 2023 will consider any changes and make a recommendation for approval at the council meeting scheduled for 11 January 2024.

A review of council agendas and associated background papers shows that there is regular reporting of financial information to council, including reviewing budget performance and approving lists of payments, as well as the more detailed explanations and narrative contained within the Clerk's report. This provides councillors with sufficient financial information to make informed decisions.

I reviewed the budget report as at the date of the interim audit, and expenditure is in line with expectations, demonstrating that the budget has been set at an appropriate level and is carefully monitored throughout the year.

The council holds circa £270,000 in earmarked reserves, with amounts split across a range of clearly identifiable projects. These amounts include receipts from Community Infrastructure Levy (CIL) which are broken down by date of receipt, enabling councillors to keep track of when the money should be spent.

At the time of the interim internal audit, the council held circa £223,000 in the general reserve.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide states *'the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure'* (para 5.33). The general reserve balance is within 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 budgets to receive income from hall lettings from its buildings, burial fees, allotment rents, sports facility lettings, grants and bank interest. I was able to confirm that the council reviews its fees and charges regularly as part of the budget setting cycle, with a proposed set of charges currently being reviewed for agreement at the Finance & Administration committee meeting in December 2023.

From my review of the nominal ledger account, income is recorded with sufficient narrative to clearly identify the source, and I found no evidence of 'off-setting' of income against expenditure. I was able to confirm the full precept amount has been received and correctly allocated within the accounts.

A review of the sales ledger for 30 September 2023 shows a total of £10,024.52 outstanding, although most of this amount has been processed during the month and has been outstanding for less than 30 days. There are a handful of entries outstanding from August and one from July. When I questioned the Clerk about these, she was aware of the circumstances and confirmed that the outstanding amount for July has subsequently been paid in early October. It is clear the council has in place suitable measures for credit control.

F. PETTY CASH

Internal audit requirement

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

Audit findings

The council maintains a petty cash float with a maximum balance of £150 which is used for incidental expenditure. The amount of petty cash is inconsequential to the overall finances of the council.

I reviewed the spreadsheet entries for the period up to 24 September 2023 and confirmed that these were all for small items where the use of petty cash is appropriate. There are a handful of receipts in the petty cash folder yet to be added to the spreadsheet, but I am in no doubt that petty cash is managed appropriately.

G. PAYROLL

Internal audit requirement

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

Audit findings

There are eleven staff members in total, and information on the staffing structure and pay scales is published on the council website as part of the Local Government Transparency Code.

The council uses West Sussex County Council for processing payroll, who calculates the PAYE and pension deductions and makes the salary, HMRC and pension payments on behalf of the council, subsequently providing an invoice for reimbursement. I reviewed the payslips for August and July and the payroll deductions appear correct.

The Clerk is aware 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 is a councillor allowance scheme in place, and I was able to confirm that councillors receive this allowance via payroll in accordance with the requirements of HMRC.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

The council has a detailed fixed asset register in place, which includes a useful one-page summary to complement the more detailed inventory for each building/area.

The register includes a description of each asset, its date of acquisition, purchase value or proxy cost, estimated replacement value and insurance value. 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 a PWLB loan which was taken out for the Roffey Millennium Hall. Confirmation of the repayments and year-end balances will be checked at the year-end audit.

The council has no long-term investments.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

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 Finance Committee.'

Bank reconciliations are completed monthly for all cashbooks. 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 and confirmation of this is evident within the minutes of the Finance and Administration committee meetings.

Due to the size of the council's budget, it does not receive any protection from the Financial Services Compensation Scheme (FSCS). The council has opened accounts with a range of providers to mitigate any risk as far as possible.

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	18 May 2023
Date inspection notice issued	2 June 2023
Inspection period begins	5 June 2023
Inspection period ends	14 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 Thursday 25 April 2024 at 9am to be conducted remotely.

Yours sincerely



Andy Beams
For Mulberry & Co

Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
None		