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Our Ref: MARK/TAN001

Mrs C Davison
Tangmere Parish Council
Tangmere Village Centre
Malcolm Road
Tangmere
West Sussex
PO20 2HS

6 December 2023

Dear Caroline

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

Executive summary

Following completion of our interim internal audit on 6 December 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 Tangmere 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

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 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.tangmere-pc.gov.uk

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

The Clerk is aware that there are some issues with the website where information needs updating, and this is due to be completed by the council as part of the current work programme.

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, although under other matters the External Auditor commented 'Section 2 of the AGAR was initially submitted without the Trust Funds disclosure in Box 11a completed. This was later resubmitted with a 'No' answer which was in line with our expectations and so there are no further concerns in this area.'

The External Auditor's report has been published on the council website along with the Notice of Conclusion of Audit, **although I note the website publication date for both documents is 4 December, which is after the statutory deadline for publication.**

The conclusion of the external audit was reported to the council meeting held on 7 September 2023 (minute ref 336).

I note the council received and reviewed the internal auditor's latest report at the annual council meeting in May 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 each councillor and includes their individual Register of Members' Interests forms. Under each councillor, these show as older versions although the current versions are published elsewhere on the website.

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.

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 a committee structure in place, with committees for Environment, Finance and Village Centre.

A diary of future meeting dates is published on the council website, along with 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 non-confidential supporting papers are included as hyperlinks within 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 draft.

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 on 18 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 on 18 May 2023. The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council. I note the council also has an adopted Scheme of Delegation to support the Financial Regulations.

I note the council; has also adopted a Scheme of Delegation to support the requirements of the Financial Regulations.

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, in conjunction with Chairman of Council or Chairman of the appropriate committee, 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 4.2. No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the council, or duly delegated committee. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').

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 of the council 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, although the council may wish to consider increasing the Clerk threshold within FR 4.5 as the current limit may be insufficient in the event of, for example, a health and safety issue.

A review of information at the interim visit and discussion with the Clerk confirms that the council authorises payments in accordance with the adopted Financial Regulations.

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 section 137 expenditure and a check that this is within the applicable thresholds will be conducted as part of the final internal audit.

Check receipt of VAT refund matches last submitted VAT return

The council submits its VAT return annually, although the Clerk is aware that one-off submissions can be completed if large reclaim amounts are due. I reviewed the submission for the period ending 31 March 2023 which showed a refund amount due of £4,544.69 and was fully supported by the required details. I was able to confirm receipt of this amount to the council's bank account on 16 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 council has a risk management policy in place which was due to be reviewed in May 2023, although the Clerk confirmed that this has not yet happened. The Clerk is aware that this will need to be completed before the end of March 2024 to achieve a positive sign-off for this internal control objective.

I confirmed that the council has a valid insurance policy in place with Hiscox Insurance which was renewed on 1 October 2023. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fraud & Dishonesty (Fidelity Guarantee) level of £150,000 which is sufficient for a council of this size, although the Clerk is aware that with pending project ideas, this level may need to be increased in the future.

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 £103,330 for 2023/24. With a tax base of 1,126.3, this equates to a band D equivalent of £91.74 (compared to the average in England of £79.35).

The Clerk confirmed that the 2024/25 budget setting process is underway, with a draft budget having been prepared and reviewed by the Finance Committee on 23 November, with a second review due on 19 December. The council intends to agree the final budget and precept at the January 2024 council meeting and from a discussion with the Clerk I am satisfied that a wide range of considerations has been taken into account, providing councillors with sufficient information to make an informed budget decision.

The council holds circa £38,500 in earmarked reserves at the date of the interim audit, spread across a range of clearly identifiable projects. I checked the purpose of these projects with the Clerk and am satisfied that they are all legitimate future planned projects for the council.

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).

At the date of the interim audit, the council held £8,650 in the general reserve which is below the recommended level and the council should keep this under careful review to ensure the council does not run into financial difficulties.

E. INCOME

Internal audit requirement

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

Audit findings

Apart from the precept, the council receives income from a range of sources including hire from the Village Centre, allotments rental, field rental and sports pitch hire. Other amounts received during the year include VAT refunds, bank interest and other sources such as Community Infrastructure Levy (CIL) and New Homes Bonus.

Fees for the allotments have been reviewed and an increase was agreed in March 2023 and advised to the tenants with the required 12 months' notice. Fees for the hall hire were reviewed and approved in March 2023

I reviewed the outstanding balances on the sales ledger, and this shows that there is a good level of credit control in place with minimal amounts outstanding

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

There are two employees, both of whom have a signed contract of employment based on the NALC model, with salaries aligned to the NJC scale. The council is a member of the LGPS pension scheme.

Payroll is outsourced to a third-party company who complete the PAYE and NI calculations. A review of the payslips shows that deduction amounts appear correct and that the NJC backdated pay rise was paid to staff in November salaries.

I reminded the Clerk that only salary, HMRC and pension payments should be included in box 4 on the Annual Governance and Accountability Return (AGAR) and any other staff costs should be recorded in box 6.

There are no councillor allowances.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

The council has a fixed asset register in place. The register contains columns for the dates of acquisition, asset description, location, cost, insurance cover and disposal information. The Clerk is aware of a new asset being purchased which has yet to be added to the register, but this will be done before the year-end.

Previous internal audits have highlighted that the insurance column had not been completed on the register and a review of the register against the insurance schedule and completion of this information would be beneficial if time allows.

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 and 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 and presented to the Finance committee for review. **I note that while the reconciliations for the Village Centre have been signed in accordance with the Financial Regulations, those for the council have not, and I will need to see evidence of this being completed at the year-end internal audit to achieve a positive sign-off for this internal control objective.**

The council holds two accounts with Unity Trust. At the date of the interim audit, the balances held exceed the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) and the council should consider opening an account with an alternate provider to maximise the protection available to it.

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	16 May 2023
Date inspection notice issued	6 June 2023
Inspection period begins	7 June 2023
Inspection period ends	18 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, although I note that the Notice of Conclusion of audit and External Auditor Report were not added to the council website until 4 December and therefore the publication requirements for 2022/23 have NOT 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 Monday 20 May 2024 at 12 noon at the Parish Office.

Yours sincerely



Andy Beams
For Mulberry & Co

Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
C. RISK MANAGEMENT AND INSURANCE	The council has a risk management policy in place which was due to be reviewed in May 2023, although the Clerk confirmed that this has not yet happened. The Clerk is aware that this will need to be completed before the end of March 2024 to achieve a positive sign-off for this internal control objective.	
D. BUDGET, PRECEPT AND RESERVES	At the date of the interim audit, the council held £8,650 in the general reserve which is below the recommended level and the council should keep this under careful review to ensure the council does not run into financial difficulties.	
I. BANK AND CASH	<p>I note that while the reconciliations for the Village Centre have been signed in accordance with the Financial Regulations, those for the council have not, and I will need to see evidence of this being completed at the year-end internal audit to achieve a positive sign-off for this internal control objective.</p> <p>The council holds two accounts with Unity Trust. At the date of the interim audit, the balances held exceed the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) and the council should consider opening an account with an alternate provider to maximise the protection available to it.</p>	
N: PUBLICATION REQUIREMENTS	I was able to confirm that the Notice of Public Rights is published on the council website, although I note that the Notice of Conclusion of audit and External Auditor Report were not added to the council website until 4 December and therefore the publication requirements for 2022/23 have NOT been met.	