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/HUR003

Mrs S Groom
Hurstpierpoint & Sayers Common Parish council
Trinity Road
Hurstpierpoint
West Sussex
BN6 9UY

4th May 2022

Dear Sarah

Re: Hurstpierpoint & Sayers Common Parish council
Internal Audit Year Ended 31st March 2022

Executive Summary
Following completion of our interim internal audit on the 23rd November and our final audit on the 4th May 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. 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.

Interim Audit Summary
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. I would like to thank Sarah for her assistance and whilst my report contains 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 Hurstpierpoint & Sayers Common Parish council are well established, and followed.

Final audit Summary
We have reviewed the AGAR and underling documentation and after accounting for a couple of presentational adjustments, we are of the opinion the AGAR is ready for approval by council and submission to the external auditor.

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 & Competence

Your audit was conducted by Mark Mulberry 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 is a qualified practicing accountant with over 20 years' experience as a registered statutory auditor.

Engagement Letter

An engagement letter was issued In September 2021 covering the 2021/22 internal audit assignment. Copies of this document are available on request.

Planning & Inherent Risk Assessment

The scope and plan of works including fee structure was issued to the council on the 1st September 2020 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.

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & 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.

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items. I also reviewed the cashbook for evidence of netting off and significant journal entries, the individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

We did note evidence of income being posted in error to the expenditure codes (see section E for detail). These have been corrected.

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 met.

C. RISK MANAGEMENT & INSURANCE (INTERIM AUDIT)

Internal audit requirement

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

D. BUDGET, PRECEPT & RESERVES (INTERIM & 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.

The council has £515,000 of total reserves of which earmarked reserves are £446,348 and £68,652 are general reserves. In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £130k.

The councils' general reserves are a little low and will need careful management, to ensure capital monies are not used for a revenue purpose. **I recommend council continues to closely monitor its earmarked reserves.**

The council has powers under GPC.

I can confirm the full council approved the 2022/23 budget and precept requirement in its December 2021 meeting.

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 & FINAL AUDIT)

Internal audit requirement

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

Final Audit

The precept income was tested to third part evidence supplied to the auditor and has been correctly disclosed in box two of the AGAR.

All other income has been correctly shown in box 3 of the AGAR. In reviewing the nominal ledger, we found some instances of income and expenditure being netted off. Income and expenditure must be reported gross. I suggested to the clerk the following presentational adjustments, which will change the AGAR value from £121,611 to £312,016 with a corresponding adjustment to box 6.

- Move expenditure of £147,335.30 for PWLB loan to an appropriate box 6 code
- Move the following income items from box 6 to box 2
    - Contribution to IT £1,411.75
    - S106 receipt £18,573.24
    - Memorial bench income £3,061
    - Xmas tree grant £3,000
    - Reimbursements for centre costs £875
    - S106 receipt £10,998
    - S106 receipt £5,151

There is no evidence to suggest the council should be registered for VAT.

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.

G. PAYROLL (INTERIM & 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.

Final Audit

The amounts shown on the AGAR, were reconcilable to the payroll records, there were no errors. I tested the tax deduction for the year. There were no errors.

Monthly and year-end PAYE and NI deductions and returns have been submitted online, on time to HMRC by the payroll provider. The PAYE and NI liability for March 2022 was paid to the payroll provider as part of the total gross wages cost.

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 & FINAL AUDIT)

Internal audit requirement

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

Final Audit

The fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR. The asset register was up to date with all relevant assets as at the current financial year end and could be agreed to the AGAR.

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 & CASH (INTERIM & FINAL AUDIT)

Internal audit requirement

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

Final Audit

At the year-end date the council had a reconciled bank position which has been signed in accordance with financial regulations. I have verified the March reconciliation and am under no doubt regulations are properly followed in respect of reconciling the bank.

I have reviewed the reconciliation there were no outstanding payments and no outstanding lodgements. I also tested the cut off and can confirm the payments and lodgements are shown in the correct year.

The council has seven bank accounts, with total holdings of £509,655. The movement year on year in bank and cash balances of £40,160 is due to additional one off income and is below the threshold to report on the list of significant variances.

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.

The council, at its meeting to sign off the year-end accounts, must discuss the Annual Governance Statement and record this activity in the minutes of the meeting. Based on the internal audit finding, I recommend using the table

below as the basis for that discussion. THIS MUST BE A SEPARATE AGENDA ITEM TO THE SIGNING OF THE ANNUAL ACCOUNTS.

Section 1 – Annual Governance Statement

	Annual Governance Statement	*'Yes' means that this authority*	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.	*prepared its accounting statements in accordance with the Accounts and Audit Regulations.*	**YES** – income & expenditure 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.	*made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.*	**YES** – 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.	*has only done what it has the legal power to do and has complied with Proper Practices in doing so.*	**YES** – 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.	*during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.*	YES – 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.	*considered and documented the financial and other risks it faces and dealt with them properly.*	**YES** – 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.	*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.*	**YES** – the council has appointed an independent and competent internal auditor has completed two audits during the year.
7	We took appropriate action on all matters raised in reports from internal and external audit.	*responded to matters brought to its attention by internal and external audit.*	**YES** – where matters are raised, action taken by council is recorded in the minutes.
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.	*disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.*	**YES** – 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	*has met all of its responsibilities where, as a body corporate, it is a*	**Yes** – the council has met its responsibilities

	accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	*sole managing trustee of a local trust or trusts.*	

Section 2 – Accounting Statements

Agar Box Number		2020/21	2021/22	Auditor Notes
1	Balances brought forward	442,362	470,037	Agrees to cfwd
2	Precept or Rates and Levies	252,021	264,520	Agrees to third party evidence provided to auditor
3	Total other receipts	79,489	121,611 + 190,405 = 312,016	Agrees to underlying records – adjustments made for reallocation of income and expenditure to report gross
4	Staff costs	144,494	151,406	Agrees to underlying records
5	Loan interest/capital repayments	13,864	10,204	Agreed to PWLB
6	All other Payments	145,477	179,558 + 190,405 = 369,963	Agrees to underlying records – adjustments made for reallocation of income and expenditure to report gross
7	Balances carried forward	470,037	515,000	Casts correctly agrees to balance sheet

8	Total value of cash and short term investments	469,495	509,655	Agrees to reconciliation
9	Total fixed assets plus long term investments and assets	623,981	585,340	Agrees to register
10	Total borrowings	137,415	0	Agreed loans paid off

11	For Local Councils Only) Disclosure note re Trust funds (including charitable)	YES ✓	NO	

The year-end accounts have been correctly prepared on the receipts and payments basis with the box 7 & 8 reconciliation, properly carried out.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over form the prior year.

The variance analysis is required because there are variances greater than 15% and £500. This has been correctly prepared on a tabular basis with narrative.

Section Conclusion

I am of the opinion the control objective of "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 (INTERIM 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")

The council did not declare itself exempt in 2020/21 or 2021/22

L: TRANSPARENCY (INTERIM AUDIT)

Internal audit requirement

The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS (INTERIM & FINAL AUDIT)

Internal audit requirement

The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require that the statement of accounts prepared by the authority (i.e. the Annual Governance & Accountability Return (AGAR) Part 2), the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records must be made available for inspection by any person interested, during a period of 30 working days set by the smaller authority and including the first 10 working days of July.

Inspection - Key date	**2020/21 Actual**	**2021/22 Proposed**
Date Inspection Notice Issued and how published	27th May 2021	1 June
Inspection period begins	2nd June	6 June
Inspection period ends	3rd June	15 July
Correct length	14th July	yes
Common period included?	yes	yes
Summary of rights document on website?	**Attached to inspection announcement**	**Attached to inspection announcement**

Section Conclusion

I am of the opinion that the control assertion of *"The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set:"* has been met.

N. PUBLICATION REQUIREMENTS (INTERIM AUDIT)

Internal audit requirement

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:

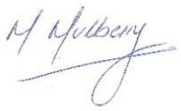
O. TRUSTEESHIP (INTERIM AUDIT)

Internal audit requirement

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

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

Kind regards
Yours sincerely



Mark Mulberry

2022 Interim Audit - Points Forward

Audit Point	Audit Findings	Council comments
General reserves	As mentioned before – general reserves are low compared to rule of thumb calculations and careful cash management will be required to ensure capital receipts are not used for revenue purposes as the year progresses.	
Netting off	Income an expenditure must be shown gross in the accounts – the only netting off allowed is for genuine refunds or insurance receipts.	