



N Ideson
Northiam Parish Council
Parish Office
Main Street
Northiam
East Sussex
TN31 6LP

30 May 2024

Dear Nicola

Re: Northiam Parish Council
Internal Audit Year Ended 31 March 2024 – Year-End Audit report

Executive summary

Following completion of our year-end internal audit on 30 May 2024 we enclose our report for your kind attention and presentation to the council. This report contains details of the additional testing conducted at year-end and should be considered alongside the interim audit report issued following our interim audit on 9 November 2023. The audits were 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. 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.

However, there are areas highlighted at both interim and year end internal audit that require action, as they have been raised at previous audits. There has been progress since Interim Audit in November 2023, however there are areas that need attention. This report contains recommendations to assist the council to address the issues.

It is therefore our opinion that the certain internal procedures at Northiam Parish Council remain in need of review and update.

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 Michelle Webber on behalf of Mulberry & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor has over 27 years' experience in the financial sector with the last 12 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.

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.

Year-End Audit

The year-end audit was conducted onsite. Information was requested from the council in advance of the audit taking place, and this was reviewed along with other information published on the council's website www.northiamparishcouncil.org.

NB. This report has been updated 17 June 2024, in light of correspondence from External Audit which was not disclosed at Year end audit date of 30 May 2024. The information on pages 7 and 9 have been updated. Further information on this matter will be provided along with this report and the AGAR.

Table of contents

		TEST AT INTERIM	TEST AT FINAL	PAGE
	INTERIM AUDIT – POINTS CARRIED FORWARD			3
B	FINANCE REGULATIONS, GOVERNANCE AND PAYMENTS	√	√	4
C	RISK MANAGEMENT AND INSURANCE	√	√	4
D	BUDGET, PRECEPT AND RESERVES	√	√	4
G	PAYROLL	√	√	5
H	ASSETS AND INVESTMENTS	√	√	5
I	BANK AND CASH	√	√	5
J	YEAR END ACCOUNTS		√	6
K	LIMITED ASSURANCE REVIEW		√	8
L	PUBLICATION OF INFORMATION		√	8

M	EXERCISE OF PUBLIC RIGHTS – INSPECTION OF ACCOUNTS	√	√	8
	ACHIEVEMENT OF CONTROL ASSERTIONS AT FINAL AUDIT DATE		√	9
	AUDIT POINTS CARRIED FORWARD			10

Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments on actions taken since interim visit
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	I recommend reviewing the way the information is published on the website of West Chiltonton Parish Council as a best practice example via this link www.wcpc.org.uk/transparency	This is being implemented.
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	I would recommend common email addresses for all councillors	All Councillors now have common generic email addresses.
RISK MANAGEMENT AND INSURANCE	I would recommend the risk assessment is reviewed and updated by the end of the financial year; I will review this document at that time	This is still pending and have advised it will need to be reviewed before interim audit.
RISK MANAGEMENT AND INSURANCE	I would recommend that the figure is increase to £300,000 and to keep this under review as it should be sufficient to cover the all the bank funds of the council at its highest level at the time of interim audit this was £286,932.	This has been increased to £320,000.
BUDGET, PRECEPT AND RESERVES	I would recommend that when all the scribe information is to update a formal report showing income and expenditure against budget is presented to council so that the council is fully aware of the council financial position. The information will have an informative effect on the budgeting setting process of the council.	This is being implemented from new financial year.
BUDGET, PRECEPT AND RESERVES	I would suggest that the general reserves are increased via the budget setting process, possibly over the course of 4 years. As the general reserve figure is at the lower end of the recommended range.	A continued recommendation.
BANK AND CASH	There will be a detailed review in at the year-end on bank reconciliation, as at present the council is not fulling the financial regulation 2.2.	The council has started to fulfil this requirement but not throughout the year.
BANK AND CASH	I would recommend the bank mandates are updated as a point urgency.	2 bank mandates outstanding, as difficulties at the bank.
EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS	This is to be a 'No' in assertion 4 on the Annual Governance Statement in 2024-2025. As the notice was announced and issued before the AGAR was signed off.	
PUBLICATION REQUIREMENTS	The dates of the Notice of Public Rights are incorreceted as noted in the section M above. The Notice of Conclusion of audit was	

	published 5 October 2023 after 30 September 2023 which is beyond the statutory date for publication.	
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B. FINANCE REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

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

Audit findings

Check that the council's Finance Regulations are being routinely followed.

Further to the testing conducted at the interim audit, I checked a sample of invoices and payments made towards the end of the financial year. I was able to confirm amounts processed matched the amounts paid on the bank statements, were consistent with the associated invoice and had been approved in accordance with the council's adopted Financial Regulations.

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

We discussed assertion 8 on the Annual Governance Statement and whether this had any impact on the council.

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

The RFO confirmed that they were not aware of any event having a financial impact that was not included in the accounting statements.

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

There is limited financial management information is presented to Council meetings, this does need to be more detailed to include actual v budget and ear marked reserves. This would provide councillors with sufficient opportunity to scrutinise the council's overall financial position. **I would recommend that the detailed reports from Scribe are provided at meetings**, as no reports have been provided during the year, I feel they have not met the requirements.

Analysis of the council's year-end income and expenditure report shows total income for the year reported as 89% and total expenditure as 83.8%, suggesting that the council budget was set appropriately and has been carefully monitored throughout the year.

At the end of the financial year, the council held circa £186,928 in earmarked reserves (EMR) and a further £51,233 in the capital receipts EMR. The council also held circa £13,313 in the general reserve at the end of the financial year. I was able to compare reserve information across the management accounts and the AGAR working documents and found the totals to be consistent.

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 at the lower end of the recommended range. **I would recommend that the council increases the general reserve via the budget setting process, over the course of next 2 years. (Increase in the region of £37,000).**

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

I reviewed the total figure being included within box 4 (staff costs) on the Annual Governance and Accountability Return (AGAR) and was able to confirm from the accounting software that this includes only salary payments, HMRC payments and pension contributions.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

I confirmed the asset register total matches that included in box 9 (total fixed assets plus long term investments and assets) on the AGAR and was able to trace the changes to the previous year's total against the asset register. This is to be reviewed in 2024-2025, review at interim audit.

The council has a Public Works Loan Board (PWLB) loan, and I confirmed the year-end balance and in year payments against the PWLB documents.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

I reviewed the March 2024 bank reconciliation for all accounts and was able to confirm the balances to the bank statements and found no errors.

The council has not signed off bank reconciliations during the financial year until March 2024.

As there had been no evidence of reconciliations being completed for most of the financial year, I have to conclude that the council has failed to meet this internal control objective.

The balances held are within the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS). I would recommend the council keeps this level under review, it does have adequate Fidelity Guarantee.

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

The council, at its meeting to sign off the year-end accounts, must discuss Section 1 of the AGAR (Annual Governance Statement) and record this activity in the minutes of the meeting. **COUNCIL IS REMINDED THAT THIS MUST BE A SEPARATE AGENDA ITEM PRIOR TO THE SIGNING OF SECTION 2 OF THE AGAR (ANNUAL ACCOUNTS).**

Section 1 – Annual Governance Statement

Based on the internal audit finding I recommend using the table below as the basis for that discussion.

	Annual Governance Statement	<i>'Yes', means that this authority</i>	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	YES – accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	NO – there has not been regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	YES – the Clerk advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	NO – the requirements and timescales for 2022/23 year-end were not followed.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	NO – the council does not a risk management scheme but does have appropriate external insurance.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	YES – the council has appointed an independent and competent internal auditor.
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	NO – matters raised in internal and external audit reports have been not addressed.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements.	<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	NO – There are matters but these were not raised during the internal audit visits. These have come to light in correspondence post visit.

9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	N/A – the council has no trusts
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Section 2 – Accounting Statements

AGAR box number		2022/23	2023/24	Internal Auditor notes
1	Balances brought forward	187,724	263,781	Agrees to 2022/23 carry forward (box 7)
2	Precept or rates and levies	100,000	107,500	Figure confirmed to central precept record
3	Total other receipts	153,910	73,665	Agrees to underlying accounting records
4	Staff costs	15,570	28,373	Agrees to underlying accounting records. Includes only expenditure allowed as staff costs (see section G)
5	Loan interest/capital repayments	71,677	69,107	Confirmed to PWLB documents
6	All other payments	91,076	84,834	Agrees to underlying accounting records
7	Balances carried forward	263,312	262,632	Casts correctly and agrees to balance sheet
8	Total value of cash and short-term investments	263,312	262,632	Agrees to bank reconciliation for all accounts
9	Total fixed assets plus long-term investments and assets	1,851,103	1,851,103	Matches asset register total and changes from previous year have been traced
10	Total borrowings	1,301,954	1,273,940	Confirmed to PWLB documents
11a	Disclosure note re Trust Funds (including charitable)	NO	NO	No – the council is not a sole trustee
11b	Disclosure note re Trust Funds (including charitable)	N/A	N/A	N/A – the council is not a sole trustee

Audit findings

The year-end accounts have been correctly prepared on a receipt and payments basis with the box 7 and 8 reconciliation is not required. Amounts for each of these are similar to those for the previous year and appropriate for a council of this size and financial activity level.

The AGAR correctly casts and cross casts and last year's comparatives match the figures submitted for 2022/23 and published on the council website.

The variance analysis has been completed to explain the variances exceeding 15% where required, and in my opinion, contains sufficient narrative and quantitative information for the External Auditor.

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

For councils with a turnover over £25,000, it is recommended best practice to follow the Local Government Transparency Code 2015, but not a statutory requirement and therefore not subject to verification during the internal audit.

All councils are required to follow The Accounts and Audit Regulations which include the following requirements:

13(1) An authority must publish (which must include publication on that authority's website)

- (a) the Statement of Accounts together with any certificate or opinion entered by the local auditor in accordance with section 20(2) of the Act; and
- (b) the Annual Governance Statement approved in accordance with regulation 6(3)

13(2) Where documents are published under paragraph (1), the authority must

- (a) keep copies of those documents for purchase by any person on payment of a reasonable sum; and
- (b) ensure that those documents remain available for public access for a period of not less than five years beginning with the date on which those documents were first published in accordance with that paragraph.

I was able to confirm that pages 4 (Annual Governance Statement), 5 (Accounting Statements) and 6 (External Auditor's Report and Certificate) of the AGAR are available for review on the council website for financial years 2018/19 to 2022/23 inclusive.

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

The authority has demonstrated that during summer 2023 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	2023/24 Proposed
Date AGAR signed by council	8 June 2023	13 June 2024*
Date inspection notice issued	4 June 2023	20 June 2024*
Inspection period begins	5 June 2023	24 June 2024*
Inspection period ends	14 July 2023	2 August 2024*
Correct length (30 working days)	Yes	Yes
Common period included (first 10 working days of July)	Yes	Yes

I am satisfied the requirements of this control objective were not met for 2022/23, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council.

- - These dates will need amending due to a change of AGAR signing date.

I was able to confirm that the proposed dates for 2023/24 meet the statutory requirements.

Achievement of control assertions at year-end audit date

Based on the tests conducted during the year-end audit, our conclusions on the achievement of the internal control objectives are summarised in the table below and are reflected in the completion of the Annual Internal Audit Report within the AGAR.

	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 Finance 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.	√		
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	√		
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.

Yours sincerely

m. webber

Michelle Webber

For Mulberry Local Authority Services Ltd

Year-End Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
BUDGET, PRECEPT AND RESERVES	I would recommend that the detailed reports from Scribe are provided at meetings.	
BUDGET, PRECEPT AND RESERVES	I would recommend that the council increases the general reserve via the budget setting process, over the course of next 2 years. (Increase in the region of £37,000).	
RISK MANAGEMENT AND INSURANCE	This is still pending and have advised it will need to be reviewed before interim audit.	
BANK AND CASH	2 bank mandates outstanding, as difficulties at the bank.	
BANK AND CASH	As there had been no evidence of reconciliations being completed for most of the financial year, I have to conclude that the council has failed to meet this internal control objective.	