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Our Ref: MARK/ETC001

Mrs P Barton
Etchingham Parish Council
Parish Office
Parsonage Croft
Etchingham
East Sussex
TN19 7BY

26 October 2023

Dear Paulette,

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

Executive summary

Following completion of our interim internal audit on 26 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 financial errors or misstatements that require reporting to the external auditor at this time, **however there are still some areas of weakness in the governance practices of the council, there has been progress since the last internal and external audit reports, but there are still areas that need progressing.**

This still questions whether the council takes governance, policies, and procedures seriously, a couple of the required actions are urgent and should aim to be completed before the end of year audit.

The council should note that the section 1 of the annual governance and accountability return is as important as section 2, as this section outlines the systems in place for internal control, the council is working in line with the policies and procedures.

It is therefore our opinion that the systems and internal procedures at Etchingham Parish Council have improved but they are still in need of urgent attention.

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. 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) and the finance assistant. The Clerk had prepared the information advised in advance of the visit, and I have the impression that accounting records are neatly maintained and easily accessible. Other information was reviewed through discussion with the Clerk and a review of the council website www.etchinghamparishcouncil.org.uk

The council has started to use scribe for recording the day-to-day financial transactions of the council. This is an industry specific accounting package and I make no recommendation to change.

As raised in previous internal and external audit reports, there are some flaws in the governance processes, the council has made progress and implemented several of the previous recommendations, however there are a few urgent items to be addressed.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

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

Audit findings

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

The external auditor's report for 2022/23 was qualified and has been published on the council website, The external auditor's report for 2022/23 was not qualified and has been published on the council website, the external auditor commented; The smaller authority has confirmed that it has not complied with the governance Assertions in Section 1, Boxes 5 and 7, and has not provided the appointed auditor with an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified. In the completion of the Annual Internal Audit Report, and their detailed report, the internal auditor has drawn attention to significant weaknesses in relation to internal control objectives B, C, D, H and L. The smaller authority must ensure that action is taken to address these areas of weakness in a timely manner.

The council has failed again for another year to address the issues identified in the previous internal audit reports. If all the issues are not addressed by the end of year audit for 2023-2024, they will receive a qualified audit report again. I would strongly recommend that all the identified issues in this interim audit report are address as an urgent matter.

The Notice of Conclusion of Audit, and the external auditors report will report at the November 2023 meeting. This had been mentioned at a full council meeting but not formally. On discussion with the clerk, it was noted that it's to be reported to the Full council meeting after receipt of the conclusion of audit it received.

Confirm by sample testing that councillors sign statutory office forms

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

Confirm that the council is compliant with the relevant transparency code

As the council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so. I recommend reviewing the way the

information is published on the website of Upper Beeding Parish Council as a best practice example via this link www.upperbeeding-pc.gov.uk/finance-transparency

Confirm that the council is compliant with GDPR

The council is fully aware of GDPR and has undergone training. It is recommended that the council establishes 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.

I recommend the council follows the JPAG guidance on emails for councillors and that all councillors use their official email accounts for all council business. This has been advised on the previous audit.

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

All of the council business is conducted through Full Council meetings. Future meeting dates and historic agendas and minutes for council meetings are available on the website.

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 council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting.

The council is now posting supporting documentation with agendas as outlined in the year end internal audit report for 2022-2023.

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

The Minutes are routinely uploaded to the council website.

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 16=5 June 2023 (minute ref 2662).

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 15 June 2023 (minute ref 2662). The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council.

Check that the council's Financial Regulations are being routinely followed

The council has thresholds in place at which authorisations to spend must be obtained as below:

FR 4.1. Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by:

- *the council for all items over £1,000;*
- *a duly delegated committee of the council for items over £500; or*
- *the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below £500.*

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

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

FR 4.5. In cases of extreme risk to the delivery of council services, the clerk may authorise revenue expenditure on behalf of the council which in the clerk's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £500. The Clerk shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.

Based on the level of financial activity of the council, these authorisation thresholds appear appropriate.

I tested a sample of invoices from July and October 2023, they had been approved at the full council meeting post payment, however they have not approved each individual invoice prior to payment, and do not receive the invoice for viewing prior to payment to be able to confirm the online payment to the invoice. This needs to be implemented, on discussion with the Clerk, **I recommend that a scan of invoices to be paid are emailed to the councillors for authorising on the banking system. As such I cannot approve that the invoices are approved in accordance with the Financial Regulations.**

The council has Financial Regulations in place regarding the award of contracts, and this includes:

FR 11.1 (h) When it is to enter into a contract of less than £25,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk/RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below £3,000 and above £100 the Clerk/RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.3 above shall apply.

There has been no renewal of contracts and tenders awarded during the year so far.

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 within the allowable threshold for the year.

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 June 2023 which showed a refund amount due of £11,879.86. I was able to confirm receipt of this amount to the council's bank account on 12 July 2023. The council is up to date with its VAT submissions.

Confirm that checks of the accounts are made by a councillor

There is evidence that the council authorises the payments correctly at full council meetings, and I am in no doubt that there is no suggestion of any financial impropriety. However, there are weaknesses in the current system in relation to the governance processes.

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 which was most recently reviewed and approved by council on 20 July 2023 (minute ref 2677a). I reviewed the policy and the risk assessment record. The risk record could be more robust and have more detailed information of risks, this should be relevant to the size of the council. **I would recommend that the council reviews the record and would suggest using the risk management document from Joint panel on accountability and Governance (JPAG).**

I confirmed that the council has a valid insurance policy in place with Zurich Municipal which expires on 1 June 2024. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fidelity Guarantee of £100,000 which is sufficient for a council of this size.

D. BUDGET, PRECEPT AND RESERVES

Internal audit requirement

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Audit findings

The council set a precept of £71,500 for 2023/24. With a tax base of 422.2, this equates to a band D equivalent of £169.59 (compared to the average in England of £79.35).

The Clerk confirmed that the 2024/25 budget setting process is scheduled to begin in November 2023, with the aim to agree the budget and precept at the January 2024 council meeting.

The Clerk presents the budget performance information at the end of every quarter to the council to review where the council's actual expenditure is against budget. I advised that where there are variances a covering document could explain the variances in more detail.

The council began the year with a balance of £65,614 from CIL £3,780. This CIL reserve has been spent. There are no other earmarked reserves.

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

The precept is the only budgeted income received. Other unbudgeted amounts received during the year are Bank interest, VAT refunds and community infrastructure levy (CIL). I can confirm that these are all identified in the accounting records.

F. PETTY CASH

Internal audit requirement

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

Audit findings

The council has no petty cash.

G. PAYROLL

Internal audit requirement

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

Audit findings

The Council employed three employees and all now have a signed contract of employment, based on the NALC template. The salary is aligned to the NJC scale point range.

The council uses a HMRC PAYE tool inhouse for processing payroll, who calculates the PAYE and pension deductions. I reviewed the payslips for October 2023 and the payroll deductions appear correct. The salary payments are authorised and paid by the council in the same way as other payments. 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 it is in spreadsheet format. As highlighted over the previous 2-3 years of internal audit, it contains very basic information and needs updating. There are a few assets valued at insurance value rather than original cost or proxy cost. **This is to be addressed by the council as a real matter of urgency, it requires a full review and updating to the current standard. If this is not updated and reviewed by the year end, it will not meet the requirement for internal control objective.**

The council has two Public Works Loan Board (PWLB) loans which were taken out for Community stores and Village Hall. I was able to confirm the year-end loan balance and in-year capital and interest repayments against the PWLB year-end statement.

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 council.'

Bank reconciliations are completed monthly and presented to council at every meeting for review. 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 by the chairman in accordance with the Financial Regulations.

Balances held are within the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS).

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	15 June 2023
Date inspection notice issued	16 June 2023
Inspection period begins	19 June 2023
Inspection period ends	28 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 is the trustee of Etchingham Recreation Ground (Queen's Garden) (charity number 1093289) and Etchingham Trusts for Sprots and Recreation (charity number 1076642). I reviewed the information on the Charity Commission website, which shows the council correctly listed as the sole trustee and that all reporting is up to date.

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.	√		
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 & Co

Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
BOOKS OF ACCOUNT	As raised in previous internal and external audit reports, there are some flaws in the governance processes, the council has made progress and implemented several of the previous recommendations, however there are a few urgent items to be addressed	
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	The council has failed again for another year to address the issues identified in the previous internal audit reports. If all the issues are not addressed by the end of year audit for 2023-2024, they will receive a qualified audit report again. I would strongly recommend that all the identified issues in this interim audit report are address as an urgent matter	
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	I recommend the council follows the JPAG guidance on emails for councillors and that all councillors use their official email accounts for all council business. This has been advised on the previous audit.	
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	I recommend that a scan of invoices to be paid are emailed to the councillors for authorising on the banking system. As such I cannot approve that the invoices are approved in accordance with the Financial Regulations	
RISK MANAGEMENT AND INSURANCE	I would recommend that the council reviews the record and would suggest using the risk management document from Joint panel on accountability and Governance (JPAG).	
ASSETS AND INVESTMENTS	This is to be address by the council as a real matter of urgency, it reviews a full review and updating to the current standard. If this is not updated and reviewed by the year end, it will not meet the requirement for internal control objective.	