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Our Ref: MARK/NET001

Mrs G Foster
Nether Wallop Parish Council
Kingman's Cottage
Nether Wallop
Stockbridge
Hampshire
SO20 8EW

22 November 2022

Dear Gail

Re: Nether Wallop Parish Council
Internal Audit Year Ended 31 March 2023 – Interim Audit report

Executive summary

Following completion of our interim internal audit on 22 November 2022 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. **However, there was an absence of any confirmation of control measures for the Wallops Parish Hall, which is operated jointly by the Parish Council and neighbouring Over Wallop Parish Council.**

It is clear the council takes its internal 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. I would like to see the same consistent approach applied to the joint arrangements and **I encourage both councils to review the guidance on joint arrangements contained within the Joint Practitioner's Guide.**

It is our opinion that the systems and internal procedures at Nether Wallop 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. 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 30 years' experience in the financial sector with the last 12 years specialising in local government.

Engagement Letter

An engagement letter was previously issued to the council covering the 2022/23 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
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is our opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be "walk through testing" on sample data to encompass the period of the council year under review.

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A. BOOKS OF ACCOUNT

Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

Audit findings

The interim audit was conducted on site with the Clerk, who also acts as the council's Responsible Financial Officer (RFO). The Clerk had prepared the 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.netherwallopparishcouncil.uk

The council continues to use the Rialtas Business Solutions (RBS) accounting package 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. The system is used regularly to record transactions and produce management information reports for review at council meetings.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

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

Audit findings

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

The External Auditor's Report for 2021/22 was not qualified and has been published on the council website along with the Notice of Conclusion of Audit, and this was reported to council at the October 2022 meeting (minute ref 6434).

The External Auditor noted within their report 'We have not seen evidence in respect of any financial arrangements in place relating to the Wallops Parish Hall. The smaller authority needs to establish the legal status of a potential joint arrangement and ensure the correct accounting treatment is applied.'

From a discussion with the Clerk, while quotes have been obtained to clarify the position, this item has been repeatedly deferred from agendas. **Clarification will need to be sought prior to the financial year-end, which will allow the council to ensure it follows the correct accounting practices within the Joint Committee arrangements included within the Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide.**

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 includes details of each councillor's Register of Members' Interests.

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. The council has established a Transparency tab on the website where some of the information is published. 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 aware of GDPR, and the Clerk and some Members have undergone training. It was noted the council has not established common email addresses for all councillors, although councillors are using their own different email addresses from personal ones. **It is recommended to establish common email addresses in the format cllr.smith@netherwallop-pc.gov.uk.** 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 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 committees for the Wallops Parish Hall (WHP) and Neighbourhood Development Plan (NDP) and a number of working groups. **There are published terms of reference for the NDP Committee, but not all working groups appear to have published terms of reference. This is recommended best practice, and makes clear that, for example, Working Groups have no powers to make decisions or spend money.**

Meeting dates are available on the council website along with historic agendas and meetings.

Check that agendas for meetings are published giving 3 clear days' notice.

The Clerk was able to demonstrate 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 published in accordance with the Information Commissioner's Office (ICO).

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

Draft minutes are uploaded to the council website, and subsequently replaced by the final version once approved.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months.

The Standing Orders are based on the current NALC model and were most recently reviewed and adopted by council in May 2022 (minute ref 6240).

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations.

Financial Regulations are based on the current NALC model and were last reviewed and adopted by council in May 2022 (minute ref 6241). 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. Such authority is to be evidenced by a minute. 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 £500. The Clerk shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.

The council has also adopted a Scheme of Delegation, although I discussed with the Clerk some anomalies and **I recommend the Financial Regulations and Scheme of Delegation are reviewed to ensure they align.**

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.82 per elector.

The council has a section 137 expenditure for the year, which is comfortably within the allowable limit.

Check receipt of VAT refund matches last submitted VAT return.

The council normally submits its VAT return on a quarterly basis. A review of the returns and confirmation of receipts of amounts reclaimed will be conducted at the final audit.

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 completes an Internal Control document in February each year. This includes an assessment of identified risks and the measures in place to mitigate these. **The inclusion of a standard risk matrix would enhance this document, and samples of this kind of fuller risk assessment process are widely available on other Parish Council websites and/or in the JPAG documents.**

I confirmed that the council has a valid insurance policy in place with Hiscox which was renewed in April 2022. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fraud & Dishonesty (Fidelity Guarantee) level of £150,000. The listed asset cover appears appropriate based on the items recorded on the council's asset register.

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 £43,350 for 2022/23. With a tax base of 406.0, this equates to a band D equivalent of £106.77 (compared to the average in England of £74.81).

The Clerk confirmed that the 2023/24 budget setting process is underway, with a draft budget presented to the November council meeting. A further meeting is scheduled for 28 November for councillors to review the draft, with a meeting for the public to attend scheduled for December to review the draft. The final budget and precept figure will be agreed by council at the January 2023 council meeting.

The Clerk presents the budget performance information at every council meeting for review. I am content that councillors are provided with sufficient financial information to make informed financial decisions.

The council holds circa £51,000 in a range of clearly defined earmarked reserves. I checked the purpose of the earmarked reserves with the Clerk and am satisfied that they are all for legitimate future planned projects of the council. The council also holds £29,156 in the general reserve.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide states *'the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure'* (para 5.33).

The general reserve balance is within this range.

E. INCOME

Internal audit requirement

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

Audit findings

Apart from the precept, the council receives income primarily from sports hire, hall hire, and rental of the marquees, along with any grants, donations, s.106 receipts, VAT refunds and bank interest.

Sports fees were reviewed within the financial year, and hall hire fees have been recently reviewed by council. Best practice for all fees is for an annual review to take place and for the outcome of the review, even where no change to fees is made, recorded in the minutes of the meetings where it was agreed.

Arrangements for the hire of marquees appear inconsistent, and **I encourage the council to develop a clear marquee hire policy, including booking and payment arrangements, to ensure that the possibility of hire is clear for all potential users.**

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. The Village Green Working Group have requested the council establish a petty cash float for use by them for reimbursement of fuel costs. The Working Group has no powers to spend money and therefore continuing to reimburse as an expenses claim is the most appropriate method.

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 uses the HMRC PAYE Online Tools for processing payroll for the two staff members. A review of the pay slips provided for review at the interim audit show that deduction amounts appear correct.

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 which is divided into sections and includes a summary page. The register includes details of acquisition dates for some items, their description, value and other notes.

I note that there are a number of items listed as donated but assigned a value, and some where the value includes VAT.

I remind Council that all assets should be listed and valued at cost/proxy cost, or where gifted/donated, given a nominal £1 value for the purpose of the asset register, and any corrections should be made prior to the final audit to obtain a positive sign-off for this internal control measure. Further guidance on the correct management of assets is available in the JPAG guidance.

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 no PWLB borrowing nor 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 [or a cheque signatory] 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 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.

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 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")

Audit findings

Testing to be conducted at final audit.

L: TRANSPARENCY**Internal audit requirement**

If the authority has an annual turnover not exceeding £25,000, it publishes information on a website / webpage up to date at the time of the internal audit in accordance with the Transparency Code for Smaller Authorities

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	2021/22 Actual
Date AGAR signed by council	9 May 2022
Date inspection notice issued	30 May 2022
Inspection period begins	6 June 2022
Inspection period ends	15 July 2022
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 2021/22, 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 2021/22. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2022 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 2021/22, approved and signed, page 4*
- *Section 2 - Accounting Statements 2021/22, approved and signed, page 5*

Not later than 30 September 2022 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 Certificate and the publication requirements for 2021/22 have been met.

O. TRUSTEESHIP

Internal audit requirement

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

Audit findings

The council has no trusts.

Achievement of control assertions at interim audit date

Based on the tests conducted during the interim audit, our conclusions on the achievement of the internal control objectives are summarised in the table below. A further review and update of this opinion will be conducted at the final audit.

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the financial year	✓		
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	✓		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	✓		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	✓		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for			✓
G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H	Asset and investments registers were complete and accurate and properly maintained.		✓	
I	Periodic bank account reconciliations were properly carried out during the year.	✓		
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K	If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")</i>			✓
L	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	The authority, during the previous year (2021-22) 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 2021/22 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



Andy Beams

For Mulberry & Co

Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
	<p>However, there was an absence of any confirmation of control measures for the Wallops Parish Hall, which is operated jointly by the Parish Council and neighbouring Over Wallop Parish Council.</p> <p>I encourage both councils to review the guidance on joint arrangements contained within the Joint Practitioner's Guide.</p>	
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	<p>Clarification will need to be sought regarding the joint arrangements prior to the financial year-end, which will allow the council to ensure it follows the correct accounting practices within the Joint Committee arrangements included within the Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide.</p>	
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	<p>It is recommended to establish common email addresses in the format cllr.smith@netherwallop-pc.gov.uk.</p>	
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	<p>There are published terms of reference for the NDP Committee, but not all working groups appear to have published terms of reference. This is recommended best practice, and makes clear that, for example, Working Groups have no powers to make decisions or spend money.</p>	
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	<p>I recommend the Financial Regulations and Scheme of Delegation are reviewed to ensure they align.</p>	
RISK MANGEMENT AND INSURANCE	<p>The inclusion of a standard risk matrix would enhance this document, and samples of this kind of fuller risk assessment process are widely available on other Parish Council websites and/or in the JPAG documents.</p>	
INCOME	<p>I encourage the council to develop a clear marquee hire policy, including booking and payment arrangements, to ensure that the possibility of hire is clear for all potential users.</p>	
ASSETS AND INVESTMENTS	<p>I remind Council that all assets should be listed and valued at cost/proxy cost, or where gifted/donated, given a nominal £1 value for the purpose of the asset register, and any corrections should be made prior to the final audit to obtain a positive sign-off for this internal control measure</p>	