



MULBERRY & CO

Chartered Certified Accountants
& 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/

Mrs L Armstrong
Nether Wallop Parish Council
Nether Wallop
Stockbridge
Hampshire

7 June 2023

Dear Lesley

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

Executive summary

Following completion of our year-end internal audit on 7 June 2023 we enclose our report for your kind attention and presentation to the council. This report should be considered alongside the interim audit report issued following our interim audit on 22 November 2022. 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.

The council staffing structure has changed since the interim visit, with a new Clerk and separate RFO now in post. I thank them for providing the requested year-end information, which I understand has been challenging due to the newness of their roles and no significant handover from the previous Clerk.

I retain concerns regarding the joint arrangements for Wallops Parish Hall, as detailed in my interim report, but am content to leave this and other recommendations for review in detail at the next interim audit where there will be the opportunity to discuss the issues in full with the new staff members.

It is clear the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at 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, who has over 30 years’ experience in the financial sector with the last 13 years specialising in local government.

Your auditor is independent from the management of the financial controls and procedures of the council and has no conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Engagement Letter

An engagement letter was previously issued to the council covering the 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:

- o There have been no reported instances of breaches of regulations in the past
- o The client uses an industry approved financial reporting package
- o The client regularly carries out reconciliations and documents these
- o There is regular reporting to council
- o The management team are experienced and informed
- o Records are neatly maintained and referenced
- o The client is aware of current regulations and practices

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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Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments on actions taken since interim visit
GENERAL	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. I encourage both councils to review the guidance on joint arrangements contained within the Joint Practitioner’s Guide.	To be reviewed at next interim audit.
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	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.	To be reviewed at next interim audit.
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	It is recommended to establish common email addresses in the format cllr.smith@netherwallop-pc.gov.uk .	Updated JPAG guidance included in section B of this report.
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	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.	To be reviewed at next interim audit.

FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	I recommend the Financial Regulations and Scheme of Delegation are reviewed to ensure they align.	To be reviewed at next interim audit.
RISK MANGEMENT AND INSURANCE	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.	To be reviewed at next interim audit.
INCOME	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.	To be reviewed at next interim audit.
ASSETS AND INVESTMENTS	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	Updated asset register reviewed as part of final audit.

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

Confirm that the council is compliant with GDPR.

At the interim audit, it was noted that the council is aware of GDPR, and the Clerk and some Members have undergone training. It was noted the council had 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** 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.

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

Checks against the council's Financial Regulations were completed at the interim visit, and while some minor improvements were recommended, I found no evidence of any serious breaches. Further details testing will be conducted at the next interim visit.

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 section 137 expenditure within the allowable threshold for the year under review. Council is reminded that the section 137 threshold for 2023/24 has been increased to £9.93.

Confirm that checks of the accounts are made by a councillor.

The system noted above, and the checks completed at the interim visit, 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

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 Clerk 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

The accounting records show that the council ended the year with income reported as 226.5% of budget and expenditure reported as 141.1% of budget. The additional income was primarily due to grants and section 106/CIL income, and the additional expenditure is more than covered by this additional income.

At the end of the financial year, the council held £74,751 in earmarked reserves (EMR), spread across a range of clearly identifiable projects. I checked the purpose of these EMRs and am satisfied they are all for legitimate future planned projects of the council.

The council also held £46,255 in the general reserve at the end of the financial year.

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 year-end general reserve balance is marginally outside the recommended range, and I recommend the council keeps the guidance in mind and keeps the general reserve balance under review.

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 confirmed 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

The council has worked on updating the asset register since the interim audit, and I was able to confirm the asset register total matches that included in box 9 (total fixed assets plus long term investments and assets) on the AGAR.

The council has no 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

I reviewed the March 2023 bank reconciliation and was able to confirm the balances to the bank statement and found no errors.

The council held all funds in one account at the year-end, and I remind council that it would benefit from the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) and should consider opening an account with an alternate provider.

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>	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.	<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>	YES – the requirements and timescales for 2021/22 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.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	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.	<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>	YES – matters raised in internal and external audit reports have been 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	<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	YES – no matters were raised during the internal audit visits.

	authority and. Where appropriate, have included them in the accounting statements.		
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

Section 2 – Accounting Statements

AGAR box number		2021/22	2022/23	Internal Auditor notes
1	Balances brought forward	53,031	80,114	Agrees to 2021/22 carry forward (box 7)
2	Precept or rates and levies	43,665	43,350	Figure confirmed to central records
3	Total other receipts	36,963	65,145	Agrees to underlying records
4	Staff costs	15,513	11,332	Agrees to underlying records
5	Loan interest/capital repayments	0	0	Verified against PWLB records
6	All other payments	38,032	56,271	Agrees to underlying records
7	Balances carried forward	80,114	121,006	Casts correctly and agrees to balance sheet
8	Total value of cash and short-term investments	81,034	119,845	Agrees to bank reconciliation
9	Total fixed assets plus long-term investments and assets	207,443	247,216	Matches asset register
10	Total borrowings	0	0	Verified against PWLB records
11a	Disclosure note re Trust Funds (including charitable)	N/A	NO	No – the council is not a sole trustee
11b	Disclosure note re Trust Funds (including charitable)		N/A	N/A – the council is not a sole trustee

Audit findings

The year-end accounts have been prepared on an income and expenditure basis with the box 7 and 8 reconciliation explained using the accounting records which show a VAT debtor of £1,160.

The AGAR correctly casts and cross casts. **The council must complete the answer to question 11b, which as the council is not a trustee should be answered as N/A.**

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 2021/22, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2021/22 AGAR tick "not covered")

Audit findings

The council did not certify itself exempt in 2021/22 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

This internal control objective has changed since last year. Where previously it related to the relevant Transparency Codes, a council with annual turnover exceeding £25,000 was recommended to follow the Local Government Transparency Code 2015, but it was not a statutory requirement.

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.

Pages 4 (Annual Governance Statement), 5 (Accounting Statements) and 6 (External Auditor's Report and Certificate) of the AGAR are not available for review on the council website for the last five years and the council has therefore failed to meet the requirements of this internal control objective.

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	2022/23 Proposed
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.

The proposed dates for 2022/23 were not available for review at the time of the final internal audit. **I remind council that**

- the **Date inspection notice issued** must be at least one day after the date the AGAR is signed
- the **Inspection period begins** date must be at least one day after the **Date inspection notice issued** and no later than **3 July 2023** to comply with the requirement to include the first 10 working days of July
- the **Inspection Period Ends** date must be 30 working days later than the **Inspection period begins** date and no later than **11 August** to comply with the requirement to include the first 10 working days of July

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 2021/22, 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")			√
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 (2021-22) 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).	√		

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 for review at next interim visit

Audit Point	Audit Findings	Council comments
GENERAL	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. I encourage both councils to review the guidance on joint arrangements contained within the Joint Practitioner's Guide.	
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	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.	
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	It is recommended to establish common email addresses in the format cllr.smith@netherwallop-pc.gov.uk . 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.	
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	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.	

FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	I recommend the Financial Regulations and Scheme of Delegation are reviewed to ensure they align.	
RISK MANGEMENT AND INSURANCE	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.	
INCOME	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.	To be reveiwed at next interim audit.

Year-end audit - points carried forward for review at next interim visit

Audit Point	Audit Findings	Council comments
BUDGET, PRECEPT AND RESERVES	The year-end general reserve balance is marginally outside the recommended range, and I recommend the council keeps the guidance in mind and keeps the general reserve balance under review.	