MULBERRY
LOCAL AUTHORITY SERVICES LTD

Eastgate House
Dogflud Way, Farnham
Surrey, GU9 7UD

t 07428 647069
e office@mulberrylas.co.uk
w www.mulberrylas.co.uk

Miss L White
West Hanningfield Parish Council
Church Road
West Hanningfield
Essex
CM2 8UJ

18 October 2024

Dear Lucy

Re: West Hanningfield Parish Council
Internal Audit for Financial Year Ended 31 March 2025 – Interim Audit report

Executive summary
Following completion of our interim internal audit on 18 October 2024 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 Annual Governance and Accountability Return (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 which is available on request. The report concludes with an opinion as to whether each assertion has been met or not at this point in the year. Some assertions are tested only at the final internal audit, and this is reflected where appropriate in the report.
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.

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 West Hanningfield 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 Local Authority Services Ltd, who has over 34 years' experience in the financial sector with the last 14 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 2024/25 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.

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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 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 overall, 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.westhanningfield-pc.gov.uk

This is the first internal audit conducted by Mulberry Local Authority Services Ltd, having been appointed by the council this year. Confirmation of the internal auditor's appointment is recorded in the minutes of the council meeting held on 13 May 2024 (minute ref 79.24).

The council uses Excel for recording the council's finances. The spreadsheets are updated regularly and used to produce management information reports for review at council meetings. Excel is a suitable method for recording the finances of a council of this size.

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

The External Auditor's Report for 2023/24 was qualified, with the External Auditor stating *'Section 1, Assertion 5 has been incorrectly completed, as the smaller authority did not undertake a risk assessment in the period. This is consistent with the Internal Auditor's response to Internal Control Objective C.*

Information has come to our attention from the internal auditor highlighting the fact that Sections 1 & 2 of the 2022/23 AGAR was not published on the authority's website by the dates specified in the Accounts and Audit Regulations 2015.'

Under other matters, the External Auditor commented *'The Annual Internal Audit Report focuses on a series of internal control objectives covering an authority's key financial and accounting systems and concludes whether, in all significant respects, the internal control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the authority. We note that the internal auditor has not provided a conclusion on the following internal control objectives: H in respect of asset registers. The Annual Internal Audit Report will inform the authority's response to Assertions 2 and 6 in the annual governance statement. As a result, the authority must ensure that assurance that has not been provided via these control objectives has been sought elsewhere.'*

However, on 24 September the External Auditor provided an amendment to the issued report, which states '*We issues our final report and certificate for West Hanningfield Parish Council on 19 September 2024 which contained an 'except for' matter, in relation to Sections 1 & 2 of the 2022/23 AGAR not being published on the authority's website. You have since provided evidence that the AGAR was correctly published. The 'except for matter; should not have been raised. We have updated our records accordingly for this error.'*

The External Auditor's Report and Certificate, including the correction to the other matter raised, have been published on the council website along with the completed Notice of Conclusion of the Audit, and this was reported to the council at the meeting held on 14 October 2024.

There is evidence within the minutes of council minutes of the receipt and review of internal audit reports.

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 a link to the Chelmsford City Council website where each individual councillor's Register of Members' Interests forms are published.

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.

Confirm that the council is compliant with GDPR

The council is fully aware of GDPR and has undergone training. It was noted the council has established 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 2024) contains updated guidance on the matter as below:

The importance of using .gov.uk domains for websites and emails

5.210. All Parish, Town and Community Councils are eligible to use, and are advised to use, a .gov.uk domain for their websites and email communications. Your community, suppliers and partners will now reasonably expect a local council to have a .gov.uk domain name. Note that Parish meetings are exempt from the requirement to have a website.

5.211. To assist with compliance with the General Data Protection Regulations (GDPR), it is advised that clerks provide official .gov.uk email accounts to their councillors, which must only be used for official council business.

5.212. When choosing a domain name all councils must follow the rules set out by the Cabinet Office to choose a .gov.uk domain name, for example, 'ourparishcouncil.gov.uk' with email addresses linked to that domain.

5.213. Using a .gov.uk domain for your council website and email accounts gives Parish Councils the following advantages:

5.214. Increased professionalism and trust from members of your community, partners and suppliers because your email address and website domains are a trusted government brand.

5.215. Separation of your personal life from your professional life, ensuring members of your community, partners and suppliers understand what capacity you are emailing them in - whether a Councillor or Clerk.

5.216. Increased control for the Responsible Officer over email accounts and documentation when managing new joiners, leavers, sudden absences or Freedom of Information and Subject Access Requests.

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

The council meets regularly, and a diary of future meeting dates is published on the council website, along with historic agendas and minutes for council and committee meetings.

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

I remind council it is required to also post any non-confidential supporting documentation with the agendas as outlined by the Information Commissioner's Office (page 3 of this link) **ico.org.uk/minutesandagendas.pdf**

Check the draft minutes of the last meeting(s) are on the council's website
Draft minutes are uploaded to the council website and clearly marked as draft.

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 13 May 2024 (minute ref 75/24).

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations
Financial Regulations are based on the updated NALC model and were last reviewed and adopted by council on 9 September 2024 (minute ref 127/24). 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 5.13 *Individual purchases within an agreed budget for that type of expenditure may be authorised by:*
- *the RFO, under delegated authority, for any items below £500 excluding VAT.*
- *the Clerk, in consultation with the Chair of the Council for any items below £750 excluding VAT.*
- *the council for all items over £750.*

Such authorisation must be supported by a minute or other auditable evidence trail.

FR 5.16 *In cases of serious risk to the delivery of council services or to public safety on council premises, the clerk may authorise expenditure of up to £750.00 excluding VAT on repair, replacement or other work that in their judgement is necessary, whether or not there is any budget for such expenditure. The Clerk shall report such action to the Chair as soon as possible and to the council as soon as practicable thereafter.*

Based on the level of financial activity of the council, and through discussion with the Clerk, these authorisation thresholds appear appropriate.

I note the council also has an adopted policy for Internal Controls published on the council's website which was most recently reveiwed and approved by the council in May 2024.

A review of council minutes shows that council authorises payments in accordance with the adopted Financial Regulations, and the approved payment list in included in the minutes published on the council website.

The council has in place a system to segregate duties in terms of the setting up and subsequent release of payments made via online banking with any two of three authorised councillors able to release payments after being site up by the Clerk.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £10.81 per elector
The council has adopted the General Power of Competence (GPC) and the Section 137 threshold does not apply.

Check receipt of VAT refund matches last submitted VAT return

The council submits its VAT return at least annually, although mor frequently if a large refund amount is due. The last submission was for the period ending 29 February 2024 which showed a refund amount due of £2,636.34 and I was able to confirm receipt of this amount to the council's bank account on 5 April 2024. The council is up to date with its VAT submissions.

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's adopted Financial Regulations include a section covering Risk Management and state:

FR 2.1 The council must ensure that it has a sound system of internal control, which delivers effective financial, operational and risk management.

FR 2.2 The Clerk shall prepare, for approval by the Council, a risk management policy covering all activities of the council. This policy and consequential risk management arrangements shall be reviewed by the council at least annually.

FR 2.3 When considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration by the council.

FR 2.4 At least once a year, the council must review the effectiveness of its system of internal control, before approving the Annual Governance Statement.

The council has risk assessments in place, which are published on the council website and were most recently approved by council in June 2024.

I reveiwed the part of the risk assessment covering the financial and business operations of the council. This breaks down each risk into different areas, identifies the specific risk, details the actions being taken, assesses the likelihood and impact of each risk occurring and assigns an overall risk level.

This is a thorough approach and includes analysis of all risks typically associated with a council of this size with its range of services and facilities.

I confirmed that the council has a valid insurance policy in place with Hiscox Insurance which covers the year under review. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fraud and Dishonesty (Fidelity Guarantee) level of £150,000 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 £31,198 for 2024/25. With a tax base of 552.9, this equates to a band D equivalent of £56.43 (compared to the average in England of £85.89).

The Clerk confirmed that the 2025/26 budget setting process is due to commence shortly, with a first draft prepared in consultation between the Clerk and Chair of Council. This is planned for review at the November or December council meeting, with the final budget agreed at the January council meeting.

The Clerk keeps a record of the budget performance for the year-to-date, and this is reveiwed at council meetings at least quarterly, with individual budget lines discussed when appropriate to the agenda items each month.

At the date of the interim internal audit, the council held circa £24,400 in earmarked reserves spread across a range of clearly identifiable projects. I tested the purpose of these earmarked reserves with the Clerk and am satisfied that these are all legitimate future planned projects of the council.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide provides updated guidance on the appropriate level of general reserves that councils should retain as below:

5.33. The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

5.34. 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.

5.35. The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

5.36. In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.

5.37. Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

I note the council also has an adopted Reserves Policy, which is consistent with the JPAG guidance, and a check of the general reserve balance will be conducted at the final internal audit.

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 no other regular income from sources where they apply fees or charges, with amounts received during the year only from any grants received, bank interest and VAT refunds. There is no other audit testing required under this internal control, objective.

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 and the testing for this internal control objective does not apply.

The Clerk uses a personal debit or credit card for any incidental expenses, which is accordance with adopted Financial Regulation 9.4 which states *'Personal credit or debit cards of members or staff shall not be used except for expenses of up to £250 including VAT, incurred in accordance with council policy.'*

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 Clerk is the only staff member. She has a signed contract of employment based on the NALC template and is paid in accordance with the NJC salary scale. The council is a member of the Nest pension scheme.

Payroll is outsourced to a third party, who calculate the deductions and provide the salary slips. I reviewed the salary slips for August 2024 and was able to confirm deductions amounts for tax and national insurance and pension contributions appear to be calculated correctly.

I was able to confirm HMRC and pensions payments are up to date and that the council is correctly not claiming the employment allowance for national insurance contributions.

There are no councillor allowances, although the Clerk is aware if paid to eligible (elected) members, these must be processed through payroll and assessed for tax and national insurance.

The council has an adopted Councillor's Expenses Policy whereby councillors can reclaim out of pocket expenses.

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, which is published on the council website. The register includes details of the date of acquisition, the actual item, location, purchase value and insurance valuation.

Assets are correctly listed at original net cost/proxy cost, or where gifted/donated, given a nominal £1 value for the purpose of the asset register.

The register has been updated with new acquisitions this year, and I confirmed by sample testing of the invoice that items added have been accurately recorded at the original net purchase price.

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

Financial Regulation 2.6 states *'At least once in each quarter, and at each financial year end, a member other than the Chair or a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign and date the reconciliations and the original bank statements (or similar document) as evidence of this. This activity, including any exceptions, shall be reported to and noted by the council.'*

Bank reconciliations are completed monthly. I reviewed the bank reconciliations available for review and was able to confirm the balances to the bank statements and found no errors. The reconciliation and accompanying bank statements have been signed in accordance with the requirements of FR 2.6 and this activity is reported in the council minutes.

The council currently holds an account with Unity Trust. Balances are retained within the £85,000 depositor protection threshold available through the Financial Services Compensation Scheme (FSCS) limit.

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 interim audit.

K. LIMITED ASSURANCE REVIEW

Internal audit requirement

IF the authority certified itself as exempt from a limited assurance review in 2023/24, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2023/24 AGAR tick "not covered")

Audit findings

The council did not certify itself exempt in 2023/24 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 interim audit.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

The authority has demonstrated that during summer 2024 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Audit findings

Inspection – key dates	2023/24 Actual
Date AGAR signed by council	10 June 2024
Date inspection notice issued	12 June 2024
Inspection period begins	14 June 2024
Inspection period ends	25 July 2024
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 2023/24, 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 2023/24. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2024 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 2023/24, approved and signed, page 4*
- *Section 2 - Accounting Statements 2023/24, approved and signed, page 5*

Not later than 30 September 2024 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

Testing to be conducted at final interim audit.

O. TRUSTEESHIP

Internal audit requirement

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

Audit findings

The council has no trusts and testing under this internal control objective is not required.

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 to date are summarised in the table below. Confirmation of continued compliance will be conducted at the final internal audit, with testing of internal control objectives J, L and N also completed at that visit.

	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.	To be tested at final internal audit		
K	If the authority certified itself as exempt from a limited assurance review in 2023/24, it met the exemption criteria and correctly declared itself exempt. *(If the authority had a limited assurance review of its 2023/24 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	To be tested at final internal audit		
M	The authority, during the previous year (2023/24) 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 2023/24 AGAR.	To be tested at final internal audit		
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
Mulberry Local Authority Services Ltd

Interim Audit - Points Carried Forward

Audit Point	Interim Audit Findings	Council comments
None		