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Our Ref: MARK/BRA010

Mr P Stanley
Bramshott & Liphook Parish Council
The Haskell Centre
Midhurst Road
Liphook
Hampshire
GU30 7TN

10 January 2023

Dear Peter

Re: Bramshott & Liphook Parish Council
Internal Audit Year Ended 31 March 2023 – Interim Audit report

Executive summary

Following completion of our interim internal audit on 10 January 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 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 Bramshott & Liphook 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
- 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 Executive Officer, who also acts as the council's Responsible Financial Officer (RFO), and Deputy Executive Officer. The information advised in advance of the visit had been prepared, and I have the impression that accounting and other council records are neatly maintained and easily accessible. Other information was reviewed through discussion and a review of the council website www.bramshottandliphook-pc.gov.uk

The council continues to use the Rialtas Business Solutions (RBS) accounting software package for recording the day-to-day financial transactions of the council and makes use of the sales and purchase ledger functions within the software. 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.

I note that both the Executive Officer and Deputy Executive Officer are retiring in March 2023, necessitating a new management team to be put in place. On the evidence of my interim audit, the officers are leaving the council in a very strong administrative position for the new management team to inherit, with effective and efficient processes in place.

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 is published on the council website along with the completed Notice of Conclusion of Audit template. This was reported to council at the meeting held on 26 September and acknowledged in the minutes of the meeting (minute ref 146/22).

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 a link to the East Hampshire District Council (EHDC) website where the councillors Register of Members' Interest Forms are published.

At the date of the interim audit, there did not appear to be a published Register of Members' Interest Form for Cllr Cameron, although I note she only became a councillor in November 2022. Through discussion with the Deputy executive Officer, this was completed and sent to EHDC, although they are unable to locate it. A new form has been completed.

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 publishes the required information, although this is currently in various places on the website. The Executive Officer informed me that a new website is under development, and 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 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.

I was unable to locate either a Privacy Notice or Accessibility Statement on the council website, although with a new website under development, further checks for these items will be conducted once the new website is 'live'.

Confirm that the council meets regularly throughout the year.

In addition to full council, the council has a committee structure in place. Details of future meeting dates are available on the council website, along with historic agendas and minutes.

There are terms of reference for each committee, and these are contained within the council's Standing Orders and are published on the council website.

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

I was able to evidence that at least 3 clear days' notice is given on agendas. Whilst I 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. Agendas are neatly composed and easy to read, and relate accurately to the minutes of the corresponding meeting.

I note that non-confidential supporting documents are published on the website alongside the agendas in accordance with the requirements of 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, with a statement on the website highlighting that they are in draft format until adopted at the subsequent meeting.

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 98/22).

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

Financial Regulations are based on the current NALC model and were most recently reviewed and adopted by council in May 2022 (minute ref 98/22). 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 committee in the approved budget. This authority is to be determined by:

- the council for all items over £5,000;*
- a duly delegated committee of the council for items over £2,000; or*
- the Executive Officer, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items over £1,000; or*
- the Executive Officer for items up to £1,000*

Such authority is to be evidenced by a minute or the invoice signed by the Executive Officer, 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 Executive Officer may authorise revenue expenditure on behalf of the council which in the Executive Officer'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 £1,000.

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

I reviewed the accounting records for the financial year to date. These are neatly filed, and I contained all the expected information in relation to ledger reports, sales receipts, cashbook reports, bank reconciliations and VAT information.

There is evidence within council minutes of the approval of schedules of payments, which are subsequently appended to the minutes and published on the council website, and the reporting of bank reconciliation checks and confirmation of bank balances.

In my opinion, councillors are provided with sufficient financial information to make informed decisions.

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 adopted the General Power of Competence (GPC) and the section 137 thresholds do not apply.

Check receipt of VAT refund matches last submitted VAT return.

The council submits its VAT return on a quarterly basis. I reviewed the VAT submission for the period 1 July to 30 September, which shows a refund amount due of £5,315.24. I was able to confirm receipt of this amount to the council's bank account on 18 October 2022.

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

I reviewed the council's Financial Risk Assessment, which was most recently approved by council at the meeting held on 23 May 2022 (minute ref 97/22). The assessment lists risk areas, the specific risks identified, the perceived level of risk, management controls in place, any further actions required and a review date.

This type of approach is suitable for a council of this size and demonstrates that the council takes its risk management responsibilities seriously. **I recommend the inclusion of a risk matrix to support the perceived risk level categorisation.**

I confirmed that the council has a valid insurance policy in place with Zurich in a long-term agreement until 24 June 2024. The policy includes Public Liability cover of £12 million, Employers Liability cover of £10 million each and a Fidelity Guarantee of £1 million.

With the receipt of large amounts of Community Infrastructure Levy (CIL) funds, the balances held by the council now exceed this level at times, and **I recommend the Fidelity Guarantee level is reviewed to ensure it covers the maximum balance held at any point during the financial year.**

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 £387,658 for 2022/23. With a tax base of 4,231.6, this equates to a band D equivalent of £91.61 (compared to the average in England of £74.81).

The Finance & Policy Committee agreed a recommendation for the 2023/24 budget and precept at its meeting held on 9 January 2023, and this is scheduled to be agreed at the council meeting to be held on 23 January 2023.

There is evidence within the minutes of meetings of regular reviews of budgetary performance, and I am under no doubt that councillors are kept well informed of the council's financial position.

The income and expenditure figures for the period ending 31 December 2022 reports income as 155.3% of budget and expenditure as 72.3% of budget. The excess income is predominately due to an unbudgeted Community Infrastructure Levy (CIL) receipt of circa £226,500. The expenditure position suggests that the council is on track for the year, and that the budget has been accurately set and carefully monitored throughout the year.

At the date of the interim audit, the council held circa £460,800 on a range of clearly identified earmarked reserves, including for CIL which has been separated out by year of receipt. I tested the purpose of the earmarked reserves with the Executive Officer and Deputy Executive Officer and am satisfied they are all for legitimate future planned projects of the council.

At the start of the financial year, the council held £140,474 on 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 currently 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 from a range of sources including rental, film income, lettings, agency and licence fees, allotments, grants received, bank interest, CIL and VAT refunds.

A review of the Rialtus accounting records shows that income is recorded with sufficient narrative detail to identify the source and appears to have been allocated to the most appropriate nominal code description.

The Recreation Committee reviewed the allotment fees at their meeting held in August 2022 and agreed an increase to take effect from October 2023, thus meeting the requirement to give 12 months' notice (minute ref 44/21).

There is evidence within the minutes of meeting of the Millennium Centre of review of charges taking place.

I reviewed the ledger reports from the Rialtus system and these show minimal outstanding amounts, and where debts do exist, staff members were aware of the circumstances and have processes in place to follow these up.

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 holds minimal petty cash amounts which are inconsequential to the overall financial position of the council. Petty cash records are maintained on the Rialtus accounting system, although there have been no transaction so far this year.

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

There are twelve staff on the council payroll. All staff members have a signed contract of employment and are paid in accordance with local pay arrangements, with internal salary reviews completed in March annually.

The council uses a third party for processing payroll, who calculates the PAYE and pension deductions. I reviewed the payroll reports for December 2022 and deduction amounts appear correct.

From a review of the working detail of the Annual Return on Rialtus, I was able to confirm that only salary, HMRC and pension payments are included in box 4 in accordance with the published guidance.

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, which includes a useful summary page breaking down the total assets by committee.

The detail for each section provides details of the asset description, its purchase date and its value. Land assets acquired without a monetary exchange are correctly listed with a nominal £1 value. Each section includes additions during the year, making it easy to identify the change in asset register total. The asset list appears to be consistent with the named items contained in the council's insurance schedule.

A further 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 loans 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 monthly basis, 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. I reviewed the reconciliations presented for the interim audit and was able to confirm the balances to the bank statements and found no errors.

The Deputy Executive Officer has set up a system to rotate the duties of checking the reconciliations between councillors, and I was able to confirm that the reconciliations and bank statements have been signed in accordance with the Financial Regulations.

As the council's budgeted income and expenditure exceed the equivalent of €500,000, it does not qualify for the protection limit offered by the Financial Services Compensation Scheme (FSCS).

I note that the council has all its funds held with Lloyds Bank, with balances just under £1 million. Despite the lack of FSCS protection, it may wish to consider an alternate provider to reduce the risk in the unlikely event the bank ran into financial difficulty.

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	23 May 2022
Date inspection notice issued	6 June 2022
Inspection period begins	13 June 2022
Inspection period ends	22 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 is the sole trustee of Bramshott War Memorial Recreation Ground (charity number 301766). 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. There are no financial transactions for the charity.

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
FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	I was unable to locate either a Privacy Notice or Accessibility Statement on the council website, although with a new website under development, further checks for these items will be conducted once the new website is 'live'.	
RISK MANAGEMENT AND INSURANCE	I recommend the inclusion of a risk matrix to support the perceived risk level categorisation.	
RISK MANAGEMENT AND INSURANCE	I recommend the Fidelity Guarantee level is reviewed to ensure it covers the maximum balance held at any point during the financial year.	