



Mrs A Colbran
Sidlesham Parish Council
9 Payne Close
Pagham
West Sussex
PO21 4QA

10 October 2024

Dear Alison

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

Executive summary

Following completion of our interim internal audit on 10 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 Sidlesham 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.sidleshamparishcouncil.gov.uk

The council uses the Scribe accounting package for recording the council's finances. This is an accounting system used by many local authorities specific. The accounting package is updated regularly and used to produce management information reports for review at council meetings.

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. The External Auditor stated 'Section 14(1) of the Audit and Accounts Regulations 2015 requires the period of public rights should be a single period of 30 working days. The Council provided a period of 25 working days in 2024 for the review of their records which is a breach of the regulation, and we would anticipate the Council taking this into account when it completes Assertion 4 on its 2025 Annual Governance and Accountability Return. In future the council should ensure that it calculates and provides a period of precisely 30 working days.'

A similar issue was also raised in the prior year's External Audit Report and hence this was not appropriately actioned. The Council therefore should have answered 'No' to Assertion 7 of Section 1 of the Annual Governance and Accountability Return which relates to taking appropriate action on matters reported from internal and external audit. For future reference in a standard week, with no bank holidays, a period of 6 weeks is required to provide 30 days.

A review of the Council's website, the Documents section and using the search function, has identified that the Council does not appear to have fully met the requirement of the Accounts and Audit Regulations 2015. Regulation 13(1) which states that the final audited Annual Governance and Accountability Return should, on conclusion of the audit, be available for public access, which includes publication on the Council's website. The Council amended Section 2 of their 2023 return during the 2023 review process however only the original version of the return is visible on the Council's website. In addition, it appears that the 2023 notice of conclusion has not been published as is required by regulation 16 of the Accounts and Audit Regulations 2015. The Council should bring these points into line with the regulations as soon as practically possible.

In the previous year, it was noted that the minutes did not record the approval of the AGAR form but rather the fact that the year end accounts were approved. As this approval occurred during the 2024 return period, we expected a 'No; response to Assertion 3 on the 2024 return rather than the 'Yes' response provided. We note that the Council have ensured that the approval of the 2024 AGAR is properly reflected in the minutes and therefore do not anticipate this being an issue in respect of the 2025 return.'

Under other matters, the External Auditor also commented 'During the year it was identified that due to an administrative error an element of PAYE was not being paid over to HMRC as is required. This has been rectified in the period and we do not anticipate this issue recurring.

The Council provided a narrative explanation for the variance on Box 4 of Section 2 of the AGAR from the prior year to the current year. Whilst the explanation was reasonable, we require values to be provided in support for the movement. On

request these were provided, and we had no further issues in this regard, but id the council could bear this in mind for future variance explanations.

We identified during our initial review of the Annual Governance and Accountability Return that box 9 of the prior year column 2023 on Section 2 – Accounting Statements has been restated. This has been confirmed by the Council to have been due to a duplication of the valuation figures in respect of some of the assets. The parish council has therefore updated its fixed asset register to appropriately reflect this.’

The Notice of Conclusion of the Audit has been published on the council website, but at the time of the interim internal audit, the External Auditor’s Report had not been published. This is a breach of the Accounts and Audit Regulations 2015 and is reflected in the response to internal control objective N in this report.

The conclusion of the audit was reported to the council at the meeting to be held in September 2024.

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 councillor page where the individual 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 that the council has not 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 its website.

I recommend the council follows the JPAG Practitioner's Guide and sets up common email addresses for all councillors.

Confirm that the council meets regularly throughout the year

In addition to full council, the council has no committees but establishes working groups where required. Working groups make recommendations which are then presented to council for approval.

A diary of future meeting dates is also 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 committee and council meeting 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 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. I note that older minutes are still listed as being draft, although they have since been approved, and I recommend the website is updated to reflect this.

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 12 June 2024.

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

Financial Regulations are based on the older NALC model and were last reviewed and adopted by council in January 2024. The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council.

The Clerk is aware of the updated NALC model version of the Financial Regulations and these should be used for future updates of the adopted regulations.

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 approved in the appropriate budget. Such authority is to be evidenced by the Minutes.*

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

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 section 137 expenditure within the allowable threshold.

Check receipt of VAT refund matches last submitted VAT return

The council previously submitted its VAT return on an annual basis, although as the amounts have increased the council is considering moving to a half-yearly return. A review of the VAT return will be completed at the year-end audit.

C. RISK MANAGEMENT AND INSURANCE

Internal audit requirement

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Audit findings

The council has a risk assessment process in place which is published on the council website and was last reviewed and approved in January 2024.

I reviewed the financial risk assessment record, which identifies risks within different areas of the council's business, lists the specific risk, categorises them as high/medium/low, details the management controls in place and the review process.

This is a suitable approach for a council of this size and demonstrates that the council takes its risk management responsibilities seriously.

I confirmed that the council has a valid insurance policy in place with Aviva Insurance through Clear Councils which covers the year under review. The policy includes Public Liability and Employers Liability cover of £10 million each and a 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 £50,180 for 2024/25. With a tax base of 629.5, this equates to a band D equivalent of £79.71 (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 meeting of the working group taking place at the end of October. A recommendation for the budget will then be made to the November council meeting for approval.

The budget report from Scribe showing performance against budget is shared with councillors at meetings on a quarterly basis. This provides councillors with the information required to make informed financial decisions.

The council holds circa £38,000 in earmarked reserves at the date of the interim audit, spread across clearly identifiable projects.

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.*

A check of the year-end 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 has no other source of regular income, with amounts received only relating to donations, grants, VAT refunds and bank interest.

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.

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 employee who has a signed contract of employment, which is partly based on the NALC template, although this is in the process of being updated to reflect the changed hours of the Clerk.

Payroll is processed in house using the HMRC PAYE software by the Clerk. The payment is approved by the council in the same way as other payments.

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.

H. ASSETS AND INVESTMENTS

Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

Audit findings

Testing to be conducted at final interim audit.

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 regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the Council.'

Bank reconciliations are completed monthly. These are reported to the council and recorded in the minutes.

The reconciliation and accompanying bank statements have not been signed in accordance with the requirements of FR 2.2 and to achieve a positive sign-off for this internal control I will need to see evidence of this activity taking place.

The council holds a current account and four reserve accounts with Unity Trust. The council is covered by the depositor protection threshold from Financial Services Compensation Scheme (FSCS) limit and balances are normally retained within the £85,000 protection 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	8 May 2024
Date inspection notice issued	2 June 2024
Inspection period begins	9 June 2024
Inspection period ends	12 July 2024
Correct length (30 working days)	No
Common period included (first 10 working days of July)	Yes

As noted by the External Auditor ‘Section 14(1) of the Audit and Accounts Regulations 2015 requires the period of public rights should be a single period of 30 working days. The Council provided a period of 25 working days in 2024 for the review of their records which is a breach of the regulation, and we would anticipate the Council taking this into account when it completes Assertion 4 on its 2025 Annual Governance and Accountability Return.’

The requirements of this control objective were NOT met for 2023/24, and assertion 4 on the Annual Governance Statement for 2024/25 must therefore be signed as ‘No’ 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

At the interim audit, my review shows that the council had not published Section 3 – External Auditor Report and Certificate as required by the Accounts and Audit Regulations 2015 and therefore the council has NOT met the requirements of this internal control objective.

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. <i>(If the authority had a limited assurance review of its 2023/24 AGAR tick "not covered")</i>			✓
L	The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation	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.		✓	
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
B. FINANCE REGULATIONS, GOVERNANCE AND PAYMENTS	<p>It was noted that the council has not 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.</p> <p>I recommend the council follows the JPAG Practitioner's Guide and sets up common email addresses for all councillors.</p> <p>I remind council it is required to also post any supporting documentation with the agendas as outlined by the Information Commissioner's Office (page 3 of this link) ico.org.uk/minutesandagendas.pdf</p> <p>Draft minutes are uploaded to the council website. I note that older minutes are still listed as being draft, although they have since been approved, and I recommend the website is updated to reflect this.</p>	
I: BANK AND CASH	<p>The reconciliation and accompanying bank statements have not been signed in accordance with the requirements of FR 2.2 and to achieve a positive sign-off for this internal control I will need to see evidence of this activity taking place.</p>	
M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS	<p>As noted by the External Auditor '<i>Section 14(1) of the Audit and Accounts Regulations 2015 requires the period of public rights should be a single period of 30 working days. The Council provided a period of 25 working days in 2024 for the review of their records which is a breach of the regulation, and we would anticipate the Council taking this into account when it completes Assertion 4 on its 2025 Annual Governance and Accountability Return.</i>'</p> <p>The requirements of this control objective were NOT met for 2023/24, and assertion 4 on the Annual Governance Statement for 2024/25 must therefore be signed as 'No' by the council.</p>	
N: PUBLICATION REQUIREMENTS	<p>At the interim audit, my review shows that the council had not published Section 3 – External Auditor Report and Certificate as required by the Accounts and Audit Regulations 2015 and therefore the council has NOT met the requirements of this internal control objective.</p>	