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Our Ref: MARK/HAY003

Mr S Trice
Haywards Heath Town Council
The Town Hall
40 Boltro Road
Haywards Heath
West Sussex
RH16 1BA

20 November 2023

Dear Steve

Re: Haywards Heath Town Council
Internal Audit Year Ended 31 March 2024 – Interim Audit report

Executive summary

Following completion of our interim internal audit on 20 November 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 Haywards Heath Town Council are well established and followed.

Regulation

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily. The internal audit reports should therefore be made available to all Members to support and inform them when they considering the authority's approval of the annual governance statement.

Independence and competence

Your audit was conducted by Andy Beams of Mulberry & Co, who has over 30 years' experience in the financial sector with the last 13 years specialising in local government.

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

Engagement Letter

An engagement letter was previously issued to the council covering the 2023/24 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 Clerk and RFO, and we were joined by the Chair of the Policy and Finance Committee. The information advised in advance of the visit had been prepared, 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 RFO and a review of the council website www.haywardsheath.gov.uk

The council continues to use the Rialtas Business Solutions (RBS) accounting package for recording the council's finances. This is an industry specific accounting package and I make no recommendation to change. The system is updated regularly and used to produce management information reports for review at council meetings.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

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

Audit findings

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

The External Auditor's Report was not qualified, although the External Auditor commented under other matters *'The internal auditor has provided a 'not covered' response at control objective F on their report. This suggests that the council did not operate a petty cash system during the year for which expenses should be vouched to supporting documents. The council have confirmed that they did operate a petty cash system during the year albeit infrequently, so this should have been answered as 'yes' or 'no' as appropriate. The council should ensure that they have assurance over their petty cash system.'*

This has been published on the council website along with the Notice of Conclusion of Audit and was reported to the Policy and Finance Committee at the meeting held on 11 September 2023 (minute ref 26), and subsequently reported to the next council meeting.

I note the council reviewed the internal auditor's report at the meeting held on 26 June 2023.

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 details of the individual councillor's Register of Members' Interests forms.

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. I note the council has established a transparency tab on the council website and publishes the required information in an exemplary fashion.

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 2023) contains updated guidance on the matter as below:

The importance of secure email systems and GOV.UK

- 5.205. All authorities except parish meetings must now have an official website. To comply with GDPR, councils should provide official email accounts for their councillors as well as for their clerk and other officers.
- 5.206. When choosing a domain name for the council's website and emails, many local council websites are appropriately making use of the official GOV.UK domain (for example, ourparishcouncil.gov.uk), with email addresses being linked to that domain.
- 5.207. Using a GOV.UK domain for your council website and email accounts demonstrates the council's official local government status. Members of the public are increasingly cyber security awareness, so a GOV.UK domain can also help to build trust, and credibility and visibly demonstrates authenticity. Many people will now reasonably expect a local council to have a GOV.UK domain name.
- 5.208. For the purposes of user management, councils should ensure that the proper officer can add and remove member and staff email accounts. Commercial 'dashboard' email and web systems offer centralised searching of all data contained within the system for effective compliance with GDPR Subject Access Requests and Freedom of Information Requests.

The council has a Privacy Notice and Accessibility Statement on the home page of its website, and it is clear the council has made every effort to comply with the website requirements.

Confirm that the council meets regularly throughout the year

In addition to full council, the council has committees for Policy & Finance, Environmental & General Purposes and Planning, Terms of reference for each committee are published on the council website, appended to the Standing Orders, along with future meeting dates and 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 note that the agendas include supporting documentation in accordance with the requirements of the Information Commissioner's Office.

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 annotated 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 in May 2023 (minute ref 17).

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

Financial Regulations are based on the current NALC model and were last reviewed and adopted by council in May 2023 (minute ref 17). 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 3.1 Expenditure on the revenue account may be incurred up to the amounts included in the approved budget, subject to the requirements of Standing Orders.

FR 3.2 The Town Clerk has powers to vire amounts provided within the approved revenue and capital budgets, except in the case of sums provided for pay and allowances or when any continuing expenditure is to be generated.

FR 3.3 Expenditure may be incurred which cannot be met from the amount provided within the net revenue budget by authorisation of the Town Clerk by a maximum of £1,000 in writing to the RFO with the Committee Chairman copied in, with all authorisations being reported to the next meeting of the Policy and Finance Committee.

FR 3.4 Except as provided in Standing Orders, all proposals involving expenditure on capital account shall be the subject of an annual report to the appropriate committee and the report shall include the full financial implications of the proposals.

FR 3.5 The Policy and Finance Committee shall carry out a review of the expenditure and income of the Council at the same time as it undertakes its evaluation of the following year's budgetary requirements.

Based on the level of financial activity of the council, these authorisation thresholds appear appropriate. I discussed with the Chair of the Policy & Finance Committee whether the information provided to councillors is sufficient, and she confirmed that councillors were provided with information to make informed decisions.

I tested a sample of invoices and found these had been approved in accordance with the thresholds contained within the Financial Regulations, and approval, where needed, recorded in the minutes of meetings.

I reviewed the sales and purchase ledgers and was able to see evidence that these processes are well managed, with only minimal amounts outstanding, none of which are long-standing. This is excellent credit control for a council of this size.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £9.93 per elector

The council confirmed its eligibility for the General Power of Competence (GPC) and adopted this at the May 2023 meeting, and therefore 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 submission for the period ending 31 March 2023 which showed a refund amount due of £16,243.85. I was able to confirm receipt of this amount to the council's bank account on 4 August 2023. 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 has a financial risk assessment in place, which is reviewed annually by council in March. I reviewed the risk assessment, which splits risks into different service areas, identifies the specific risks, details the internal control measures in place and assigns a perceived risk level based on a published risk matrix. This type of approach is suitable 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 Hiscox Insurance which is in the final year of a long-term agreement. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fraud & Dishonesty (Fidelity Guarantee) cover of £1,100,000 which is sufficient for a council of this size. 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 £768,024 for 2023/24. With a tax base of 12,474.0, this equates to a band D equivalent of £61.57 (compared to the average in England of £79.35).

The RFO confirmed that the 2024/25 budget setting process is underway, with the committees reviewing their individual budgets in December and January, with the aim to agree the budget and precept at the January 2024 council meeting.

The budget performance information is reviewed at every Policy & Finance Committee meeting for review. Non committee members have access to the same financial information and can ask questions if required. The budget report from the accounting system shows year to date spend against budget and includes a percentage spend figure to provide clarity for councillors.

The council holds circa £395,000 in earmarked reserves (EMR) spread across a range of clearly identifiable projects. I tested the purpose of the EMR's began the year with the RFO and am content they remain for legitimate future planned projects of the council.

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 at the start of the year was £231,000 which is within the recommended 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

I was able to confirm both parts of the precept have been received and correctly allocated within the accounting package. Apart from the precept, the council budgets to receive income from the allotments, cemetery and Town Hall lettings, with additional sums received during the year from bank interest, sponsorship, grants and VAT refunds.

The fees and charges have been reviewed and agreed by the Policy & Finance Committee at their meeting held on 13 November 2023 (minute ref 44). From a review of the accounting records, income appears to be recorded with sufficient narrative detail to identify the source and allocated to the most appropriate nominal code.

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 maintains a small petty cash float used for incidental expenditure. The RFO confirmed that this is managed by him, with prior authorisation obtained in instances for larger amounts, and smaller amounts reimbursed retrospectively. The balance of petty cash is maintained at £150, and this is inconsequential to the overall financial management of the council.

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 currently thirteen staff members, including some part-time employees. There are two new posts currently advertised.

Payroll is managed in house by the RFO, using SAGE software. I reviewed the payslips and payroll summaries presented for review at the interim audit, and deduction amounts appear correct. The council correctly does not claim the employment allowance.

I reminded the Clerk that only salary, HMRC and pension payments should be included in box 4 on the Annual Governance and Accountability Return (AGAR) and any other staff costs should be recorded in box 6.

There is a councillor allowance, paid through payroll on a half-yearly basis to eligible councillors.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

The council has a fixed asset register which is maintained in an Excel format. The register is published on the council website under the Transparency information, and shows the date of acquisition of each asset, its location, a full description and the original cost. There is no evidence of amounts being depreciated, and costs appear consistent carried forward from previous years. A check of the register to ensure it is up to date and matches the AGAR information will be completed at the year-end audit.

The council has a Public Works Loan Board (PWLB) loan which was taken out for building a Community Centre. A check of the year-end loan balance and in year capital and interest repayments will be conducted at the final internal audit.

The council has no long-term investments. **I recommend the council considers adopting an Investment Policy to support its future decision making on placement of funds in accordance with the [Statutory Guidance on Local Authority Investments](#)**

I. BANK AND CASH

Internal audit requirement

Periodic and year-end bank account reconciliations were properly carried out.

Audit findings

Bank reconciliations are completed monthly and presented to every Policy & Finance Committee meeting for review. I reviewed the reconciliations presented for the interim audit covering July, August and September and was able to confirm the balances to the bank statements and found no errors.

I noted that the reconciliation and bank statement are reported to the meetings and the minutes reflect this activity happening.

The council has two accounts with Nat West and has opened an account with CCLA. Due to the size of the council's annual budget, it does not benefit from the protection limit offered by the Financial Services Compensation Scheme (FSCS).

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 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")

Audit findings

The council did not certify itself exempt in 2022/23 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 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	2022/23 Actual
Date AGAR signed by council	27 June 2023
Date inspection notice issued	29 June 2023
Inspection period begins	30 June 2023
Inspection period ends	10 August 2023
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 2022/23, 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 2022/23. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2023 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 2022/23, approved and signed, page 4*
- *Section 2 - Accounting Statements 2022/23, approved and signed, page 5*

Not later than 30 September 2023 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 I was able to confirm that the publication requirements for 2022/23 have been met.

O. TRUSTEESHIP

Internal audit requirement

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

Audit findings

The council has no trusts.

Achievement of control assertions at interim audit date

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

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the financial year	√		
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	√		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	√		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	√		
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	√		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for	√		
G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	√		
H	Asset and investments registers were complete and accurate and properly maintained.	√		
I	Periodic bank account reconciliations were properly carried out during the year.	√		
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	To be tested at final audit		
K	If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2022/23 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 audit		
M	The authority, during the previous year (2022-23) 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 2022/23 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.

Your final audit date has been booked for Tuesday 18 June 2024 at 9 am to be conducted remotely. Please provide the requested information one week in advance of this date.

Yours sincerely



Andy Beams

For Mulberry & Co

Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
H. ASSETS AND INVESTMENTS	I recommend the council considers adopting an Investment Policy to support its future decision making on placement of funds in accordance with the Statutory Guidance on Local Authority Investments	