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Our Ref: MARK/SLA004

Ms Sally McLean

20 November 2023

Dear Sally

Re: Slaugham Parish 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 Slaugham Parish Council are well established and followed.

Regulation

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

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

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

Independence and competence

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

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

Engagement Letter

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

Table of contents

		TEST AT INTERIM	TEST AT FINAL	PAGE
A	BOOKS OF ACCOUNT	√		3
B	FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	√	√	3
C	RISK MANAGEMENT AND INSURANCE	√	√	6
D	BUDGET, PRECEPT AND RESERVES	√	√	6
E	INCOME	√		7
F	PETTY CASH	√		7
G	PAYROLL	√	√	7
H	ASSETS AND INVESTMENTS	√	√	8
I	BANK AND CASH	√	√	8
J	YEAR END ACCOUNTS		√	8
K	LIMITED ASSURANCE REVIEW	√		9
L	PUBLICATION OF INFORMATION		√	9
M	EXERCISE OF PUBLIC RIGHTS – INSPECTION OF ACCOUNTS	√	√	9
N	PUBLICATION REQUIREMENTS	√	√	10
O	TRUSTEESHIP	√		10
	ACHIEVEMENT OF CONTROL ASSERTIONS AT INTERIM AUDIT DATE			11
	INTERIM AUDIT POINTS CARRIED FORWARD			12

A. BOOKS OF ACCOUNT

Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

Audit findings

This is the first internal audit with Mulberry & Co, having recently been appointed by the council. The interim 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.slaughampc.co.uk

The council continues to 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 accounting package 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 qualified, with the External Auditor stating 'Section 14(1) of the Audit and Accounts Regulations 2015 provides that the period of public rights should be a 'single period of 30 working days'. This year the Council provided a period of 31 working days for the review of their records, Whilst we do not consider providing a longer period than stated to be more than a trivial breach of the regulations, this could lead to other issues, We would therefore anticipate that in future the dates are calculated to provide a period of precisely 30 working days.

As the same issues in relation to the Notice of Public Rights has arisen for the current year, the Council should have answered 'No' to Assertion 7 of Section 1.

The Council has answered 'Yes' to Assertion 4 of Section 1 of the Annual Governance and Accountability Return which relates to how the Notice of Public Rights was advertised within the financial year 2022-23. Therefore, it relates to the Notice announcing the public right to view the 2021-22 return which was published during 2022-23. As noted in our Auditor Report last year, this notice was not currently advertised therefore this question should have been answered 'No.'

Under other matters, the External Auditor noted 'The Internal Auditor has answered 'Yes' to Control Objective M of their report despite the council providing a period of 32 working days for the Notice of Public Rights during the financial year 2022-23 which does not accord with the mandatory 30 working days as set out in the Accounts and Audit Regulations 2015, Paragraph 14(1). We would therefore have anticipated this response to have been 'No'.

On the initial submission of Section 2 of the Annual Governance and Accountability Return there was a typographical error contained within Box 7 for the current year (figure should have read £72, 961 but it read £72,691). This was later corrected, resubmitted, and correctly republished on the Council's website, we have no further concerns in this area.'

This has been published on the council website along with the Notice of Conclusion of Audit and was reported to the council meeting held in September 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. **I note that although some are current, there are a number of councillors who have not completed a Register of Members' interest Form since the election in May 2023 and this must be addressed ASAP and the current forms added to the council website.**

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. If the council wishes to comply with

the code, I recommend viewing the way West Chiltington Parish Council publishes the information, which can be viewed via this link www.wcpc.org.uk/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.

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 Recreation, Planning, Finance & Policy and a Plan Committee. Terms of reference for each committee are available, along with future meeting dates and historic agendas and minutes for council and committee meetings on the council website.

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, although I note that the publication date is missing from the agendas and recommend adding this to make clear beyond doubt that the required notice has been given.

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 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 March 2023.

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 March 2023. 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 class of expenditure in the approved budget. This authority is to be determined by:

- *the council for all items over [£5,000];*
- *the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below [£1000].*

Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk, 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 clerk may authorise revenue expenditure on behalf of the council which in the clerk'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 [£1000]. The Clerk shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.

Based on the level of financial activity of the council, these authorisation thresholds appear appropriate although I note the authorisation levels in FR 4.1 need reviewing due to the removal of the committee authorisation leaving a 'gap' in the thresholds.

I tested a sample of invoices and was able to confirm these have been approved by councillors and checked against the appropriate payment list.

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

The council has section 137 spending within the allowable threshold.

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 £2,174.47. I was able to confirm receipt of this amount to the council's bank account on 1 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 risk management plan in place, which the Clerk updates annually and this is presented to the Finance & Policy committee for review. I reviewed the risk assessment record, which details the types of risk identified, assigns a perceived risk level, management controls in place and the review process. This type of approach is suitable for a council of this size and demonstrates that the council takes its risk management responsibilities seriously. The only addition I would suggest is the inclusion of a risk matrix to quantify the risk level.

I confirmed that the council has a valid insurance policy in place with Hiscox Insurance which was renewed in October 2023. The policy includes Public Liability and Employers Liability cover of £10 million each and a Fraud & Dishonesty (Fidelity Guarantee) level of £250,000 which is sufficient for a council of this size, although the council is advised to keep this figure under review to ensure it covers the maximum balance held.

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 £136,000 for 2023/24. With a tax base of 1,781.4, this equates to a band D equivalent of £76.34 (compared to the average in England of £79.35).

The Clerk confirmed that the 2024/25 budget setting process is underway, with a meeting of the Finance & Policy committee in November, who will make a recommendation to full council with the aim to agree the budget and precept at the January 2024 council meeting.

The Clerk presents a range of reports from the accounting system for review at every other council meeting for review, with more detailed reporting available at the Finance & Policy meeting. This provides councillors with sufficient information to make informed financial decisions.

The council holds £10,000 in an earmarked reserve for bus shelters. The council also holds circa £62,000 in 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 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

Apart from the precept, the council budgets to receive income from the allotments. The fees were last reviewed during the summer, and an increased price has been advised to tenants to provide the required 12 months' notice.

Unbudgeted amounts received during the year came from grants, s.106 income, bank interest and VAT refunds. 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 has no petty cash.

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 three employees, the Clerk and two litter pickers. All staff members have a signed contract of employment, and the Clerk receives an annual appraisal.

The council uses West Sussex County Council to process the payroll. WSCC calculate all the deduction amounts and make the associated payments, subsequently providing an invoice to the council for reimbursement. I reviewed the payroll summary presented for the internal audit and the payroll deductions appear correct.

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 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 details of asset location, date of acquisition and a value, along with supporting notes. I discussed with the Clerk the process for obtaining the values, and I remind council that assets must be listed at cost/proxy cost, or where gifted/donated, given a nominal £1 value for the purpose of the asset register. **I recommend a review of the register is conducted by the year-end to establish the correct values of items and remove any items which are not owned by the council.**

The council has no borrowing nor long-term investments at present, although based on anticipated future capital receipts, 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

Financial Regulation 2.2 states ‘On a regular basis, at least once in each quarter, and at each financial year end, 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 [Finance & Policy Committee].’

Bank reconciliations are completed monthly and presented to council at every meeting for review. I reviewed the reconciliations presented for the interim audit and was able to confirm the balances to the bank statements and found no errors.

I noted that the reconciliation and bank statement have not been signed in accordance with the Financial Regulations and this will need to be evidenced to me by the year-end to achieve a positive sign-off for this internal control objective.

The council holds two accounts with Lloyds Bank. Balances held exceed the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) and the council should consider opening an account with an alternate provider to maximise the protection available to it.

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	22 June 2023
Date inspection notice issued	23 June 2023
Inspection period begins	27 June 2023
Inspection period ends	8 August 2023
Correct length (30 working days)	No
Common period included (first 10 working days of July)	Yes

As noted in the External Auditor's report, the correct period for the Notice of Public Rights was not given for the 2022/23 period and therefore the requirements of this control objective were NOT met for 2022/23, and assertion 4 on the Annual Governance Statement must be signed 'No' 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. (If the authority had a limited assurance review of its 2022/23 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 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 (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 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 21 May 2024 at 1 pm at the Clerk's home address.

Yours sincerely



Andy Beams

For Mulberry & Co

Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
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<p>B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS</p>	<p>I note that although some are current, there are a number of councillors who have not completed a Register of Members' interest Form since the election in May 2023 and this must be addressed ASAP and the current forms added to the council website.</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>Based on the level of financial activity of the council, these authorisation thresholds appear appropriate although I note the authorisation levels in FR 4.1 need reviewing due to the removal of the committee authorisation leaving a 'gap' in the thresholds.</p>	
<p>H. ASSETS AND INVESTMENTS</p>	<p>I recommend a review of the register is conducted by the year-end to establish the correct values of items and remove any items which are not owned by the council.</p> <p>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</p>	
<p>I. BANK AND CASH</p>	<p>I noted that the reconciliation and bank statement have not been signed in accordance with the Financial Regulations and this will need to be evidenced to me by the year-end to achieve a positive sign-off for this internal control objective.</p> <p>The council holds two accounts with Lloyds Bank. Balances held exceed the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS) and the council should consider opening an account with an alternate provider to maximise the protection available to it.</p>	
<p>M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS</p>	<p>As noted in the External Auditor's report, the correct period for the Notice of Public Rights was not given for the 2022/23 period and therefore the requirements of this control objective were NOT met for 2022/23, and assertion 4 on the Annual Governance Statement must be signed 'No' by the council.</p>	