MULBERRY
LOCAL AUTHORITY SERVICES LTD

Eastgate House
Dogflud Way, Farnham
Surrey, GU9 7UD

t 01252 929 590
e office@mulberrylas.co.uk
w www.mulberrylas.co.uk

The Clerk to the Council
Alton Town Council
Town Hall
Market Square
Alton
Hampshire
GU34 1HD

3rd October 2025

Dear Tom,

Re: Alton Town Council
Internal Audit Year Ended 31 March 2026 – Interim Audit report 2

Executive summary
Following completion of our interim internal audit on 3rd October 2025 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 Alton Town Council are a model of good practice.

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 Mark Mulberry of Mulberry Local Authority Services Ltd, who has over 30 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 2025/26 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.

Table of contents

A. BOOKS OF ACCOUNT

Internal audit requirement

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

Tested at first Interim

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.

The Smaller Authorities Proper Practices Panel (SAPPP) Practitioner's Guide (March 2025) contains updated guidance on the matter as below, including details of the new Governance Assertion to be included in the 2025/26 AGAR:

Assertion 10 - Digital and data compliance

To warrant a positive response to this assertion, the authority needs to have taken the following actions:

1.47 Email management - Every authority must have a generic email account hosted on an authority owned domain, for example clerk@abcparishcouncil.gov.uk or clerk@abcparishcouncil.org.uk rather than abcparishclerk@gmail.com or abcparishclerk@outlook.com for example.

1.48 All smaller authorities (excluding parish meetings) must meet legal requirements for all existing websites regardless of what domain is being used.

1.49 All websites must meet the Web Content Accessibility Guidelines 2.2 AA and the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 (where applicable).

1.50 All websites must include published documentation as specified in the Freedom of Information Act 2000 and the Transparency Code for Smaller Authorities (where applicable).

1.51 All smaller authorities, including parish meetings, must follow both the General Data Protection Regulation (GDPR) 2016 and the Data Protection Act (DPA) 2018.

1.52 All smaller authorities, including parish meetings, must process personal data with care and in line with the principles of data protection.

1.53 The DPA 2018 supplements the GDPR and classifies an authority as both a Data Controller and a Data Processor.

1.54 All smaller authorities (excluding parish meetings) must also have an IT policy. This explains how everyone - clerks, members and other staff - should conduct authority business in a secure and legal way when using IT equipment and software. This relates to the use of authority-owned and personal equipment.

The council has robust procedures in place to monitor controls and I have discussed these with the finance team and Clerk. I am please to report the council has demonstrated there is hierarchical control and review of policies and procedures and evidence to back this up.

I recommend the council draw up a new IT policy to encompass assertion 10 and undertake a data audit to identify where data is stored and how protected. I have signposted the deputy clerk to a local council where this can be seen in practice.

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.

The councils' financial regulations state: "*15.1. Risk management The council is responsible for putting in place arrangements for the management of risk. The Clerk shall prepare, for approval by the council, risk management policy statements in respect of all*

activities of the council. Risk policy statements and consequential risk management arrangements shall be reviewed by the council at least annually.

15.2. When considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council."

The council has a risk assessment process in place, which was last reviewed and approved by council in October 2024. I reviewed the risk assessment record, which includes a risk matrix which assesses the risks within each sector of the council's business operations.

Each potential risk is identified, assessed prior to any mitigation measures, and existing internal controls are listed and any further mitigation action which may be needed. The assessment also includes details of who is responsible for any actions and when these are to be completed by.

This is a comprehensive approach and includes analysis of all risks typically associated with a council of this size with its range of services and facilities. I have no doubt that the council takes its risk management responsibilities seriously.

As part of the regular operations the council produces monthly reserves reports to ensure it has the day to day funds in the appropriate accounts to continue its normal operations. This mitigates the risk of business interruption due to inadequate funds.

Regular playground & tree inspections and undertaken by outside consultants. I tested a risk assessment on the trees at random and was able to prove that the risk matrix led to a an action that could then be traced through to the supplier invoice for works undertaken. There were no errors. This has proven that the council has a process by which risks are not just identified but action is taken.

I would recommend that the linked reserves strategy is updated as this is dated 2016. In addition to this, I would recommend the production of a policies calendar to ensure all policies are reviewed in time.

I confirmed that the council has a valid insurance policy in place with Hiscox Insurance which covers the year under review. The policy includes Public Liability cover of £12 million, Employers Liability cover of £10 million and a Fraud & Dishonesty (Fidelity Guarantee) level of £1,000,000 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.

The council has a separate Cyber insurance policy expiring on the 31st March 2026.

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.

The Clerk confirmed that the 2026/27 budget and precept was underway with initial draft produced for discussion. There will be workshops and committee meetings with an aim to finalise in December.

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.

Apart from the precept, the council receives income from a range of sources including allotments, pitch hires and event income, investment income and grants.

FR 9.2 states *'Particulars of all charges to be made for work done, services rendered, or goods supplied shall be agreed annually by the council, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the council.'*

The council reviewed its fees and charges on the 5th of March 2025 (Ref 141). Other fees and charges are reviewed on an ad hoc basis as and when required.

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.

I tested a sample of invoices issued for each aspect of the council's operations and was able to confirm rates charged were consistent with the council's published charging schedule.

The precept of £890,180 is correctly recorded in the accounts and matches the application to the district on the 10th January 2025.

VAT is correctly accounted for by the system which automatically posts to the VAT account/return.

The council reviews its aged debtors on a regular basis, using the system generated reports. Longer term debtors are reported to council. Bad debts are written off with prior council approval. I reviewed the aged debtors at the audit date which shoed no debts over 30 days.

Council can collect income via , Bacs, Card Machine, Cheque and Cash. Banking is carried out at least weekly. There is segregation of duties and hierarchical control over raising sales invoices.

The allotment package maintains a record of outstanding allotment fees. These are chased on a regular basis.

I am of the opinion that the income system is robustly controlled and monitored and this assertion has been met.

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 minimal petty cash float and records the entries in a separate cashbook. A review of the entries shows that the petty cash is used appropriately for incidental expenditure, and the amounts are inconsequential to the overall finances of the council.

I tested the petty cash and agreed it back to the cashbook and the cash analysis VAT was appropriately reclaimed.

I am satisfied this control objective has been met.

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.

The council has 13 employees on the payroll. All staff members have a signed contract of employment, based on the NALC template, and the council is a member of the Local Government Pension Scheme (LGPS). The clerk holds the HR records.

Performance reviews (3 annually) for staff members are completed by the Deputy Clerk, with their review conducted by the Clerk and the Clerks by a panel of councillors.

The council contracts with Worknest for HR advice.

Payroll is processed via an outsourced third party, who complete all the PAYE calculations and provide the information to the council each month. The monthly variations data is input into the payroll providers on-line system. Open emails are never used. Payroll data is saved to a restricted drive, which is password protected.

I reviewed the payroll summary for September and the payroll deductions appear correct. I was able to confirm HMRC and pensions payments are up to date and that the council is correctly not claiming the employment allowance for national insurance contributions.

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

I recommend the PAYE & NI is set up to be collected by direct debit and to not show the granular data on the NI payment request in the purchase invoice folder – this can be retrospectively redacted.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

To be tested at a later interim visit

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

Bank reconciliations are completed monthly and presented to council at every meeting for review. I reviewed the reconciliations presented for July, August & September and was able to confirm the balances to the bank statements and found no errors.

I noted that the reconciliations have been signed in accordance with the Financial Regulations and has an investment strategy in place.

I am satisfied this control objective has been met.

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.

Tested at first Interim

K. LIMITED ASSURANCE REVIEW

Internal audit requirement

IF the authority certified itself as exempt from a limited assurance review in 2024/25, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2024/25 AGAR tick "not covered")

Audit findings

The council did not class itself as exempt – 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

Tested at first Interim

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

The authority has demonstrated that during summer 2025 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Tested at first Interim

N: PUBLICATION REQUIREMENTS

Internal audit requirement

The authority has complied with the publication requirements for 2024/25. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2025 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 2024/25, approved and signed, page 4*
- *Section 2 - Accounting Statements 2024/25, approved and signed, page 5*

Not later than 30 September 2025 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 the Period of Public Rights and Section 1 (Annual Governance Statement) and Section 2 (Accounting Statement) were published on the council's website before 1 July 2025. And 30th September 2025

I recommend a review of the layout of the financial page on the website.

I am satisfied this control objective has 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, and testing for this internal control objective is not applicable.

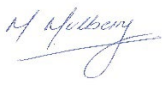
Achievement of control assertions at interim audit date

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

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

Should you have any queries please do not hesitate to contact me.

Yours sincerely



Mark Mulberry
Mulberry Local Authority Services Ltd

Interim Audit 2025/26 - Points Carried Forward

Audit Point	Audit Findings	Council comments
Governance	I recommend the council draw up a new IT policy to encompass assertion 10 and undertake a data audit to identify where data is stored and how protected. I have signposted the deputy clerk to a local council where this can be seen in practice.	
Risk	I would recommend that the linked reserves strategy is updated as this is dated 2016. In addition to this, I would recommend the production of a policies calendar to ensure all policies are reviewed in time.	
Payroll	I recommend the PAYE & NI is set up to be collected by direct debit and to not show the granular data on the NI payment request in the purchase invoice folder – this can be retrospectively redacted.	
Publication - website	I recommend a review of the layout of the financial page on the website.	

Smaller Authorities Proper Practices Panel (SAPPP) Briefing on Assertion 10

In response to queries relating to the new Assertion 10, SAPPP have published the following briefing.

GDPR and Data Protection

The key to compliance with GDPR and DPA is that data is held and managed by the authority. To support this, an authority should have ownership and administrative rights over email accounts.

Setting up an email account on servers such as Gmail, outlook and yahoo requires the inputting of personal information such as full name and date of birth, therefore arguably this is a personal account. Whilst the address may be seemingly generic, clerk.abcparishcounil@gmail.com, does the authority have full access in the event of a change in personal? Is personal information required to recover an account?

There is an inherent risk in data being stored outside the UK. Any personal data being transferred outside of the UK, for example to non-UK servers, must be to countries covered by a UK adequacy decision (GDPR). When using a non-authority owned domain, does the authority know where data is being stored and has the authority considered and accepted the risks and any possible breach of GDPR requirements?

By owning a UK based domain, for example gov.uk; org.uk, or one provided by another authority, it can be confident that data storage and transfer is compliant with GDPR. Additionally, in the event of a delay in renewal or payment by the authority, a gov.uk domain cannot be transferred to another organisation or individual.

Transparency (Local Authorities)

1.5 of the Nolan Principles states,

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

The use of personal email addresses may result in an unintentional breach of GDPR and FOI. Additionally, for the purposes of transparency, authority business should be conducted on authority channels so that in the event of a FOI request or SAR it can be accessed and searched as necessary.

The Transparency Code for Smaller Authorities does allow an authority to publish information on a third-party website. Assertion 10 does not require an authority, subject to the code, to have a dedicated website. However, authorities must ensure that any website used to publish information required by the code or FOI Act is compliant with the Web Content Accessibility Guidelines 2.2AA and Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.

Assertion 10

The requirements of Assertion 10 in the Practitioners' Guide 2025 aim to assist smaller authorities in meeting their obligations for data and digital compliance. Whilst legislation does not mandate the use of a particular domain, SAPPP's intention is to make compliance as easy as possible; by using a gov.uk (or org.uk) domain for example, authorities are able to meet the requirements without the need to consider the questions raised above.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide (March 2024) contains updated guidance on the matter as below: