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Our Ref: MARK/ALT001

The Town Clerk
Town Hall
Market Square
Alton
Hampshire
GU34 1HD

17th October 2023

Dear Leah

Re: Alton Town Council
Internal Audit Year Ended 31 March 2024 – Period Ended 30th September 2023

Executive summary
Following completion of our interim internal audit on 4th October 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.**

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 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 https://www.alton.gov.uk/

Our sample testing did not uncover any errors or misstatements that are required to be reported 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.

The councillors and clerk appear to be informed, there is evidence of council taking measured decisions using the reports and financial information provided by the clerk. It is therefore clear the council takes governance, policies and procedures seriously and I am therefore pleased to report that overall, the systems and procedures you have in place are fit for purpose.

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 our opinion that the systems and internal procedures at Alton Town Council are fit for purpose and more importantly followed by councillors and office staff alike.

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 & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor has over 30 years' experience in the financial sector with the last 20 years specialising in local government finance and internal audit.

Engagement Letter

An engagement letter was previously issued to the council covering the 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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Interim Audit 30-06-2023 - Points Carried Forward

Audit Point	Audit Findings	Council comments
A. Books of Account – system back up	I would recommend that the back up is tested verified for council peace of mind.	Completed
B. Governance	I noted that the list on the district council website needs to be updated as this only lists 9 councillors. The councillors should sign a formal acceptance to receive information by electronic means. I have provided some sample wording below for council consideration. *"As per Schedule 12 of the Local Government Act 1972, I consent to the receipt of all council meeting papers by electronic methods. I understand I may withdraw this consent at any time."*	Completed Completed
C. Financial Regulations	The regulations need to be adjusted to reflect the removal of the committees. In addition to this, it was noted that for small purchase items where no PO is required per financial regulation 10.1 we could not always find a corresponding authorisation slip per 4.1 above. I recommend the wording of financial regulation 4.1 is reviewed to better reflect the day to day use of authorisation slips.	Completed
I. Bank & Cash	I recommend council review the reconciliation process and amend signing practices for future reconciliations.	On-going
L. Publication	I recommend a review of the transparency information to ensure the most current versions are correctly linked to the Transparency section. I also recommend reviewing the way the information is published on the website of West Chiltington Parish Council as a best practice example via this link www.wcpc.org.uk/transparency	Completed

A. BOOKS OF ACCOUNT

Internal audit requirement

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

Audit findings

Tested at 30-06-23 – no further testing required

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 that the council's Financial Regulations are being routinely followed.

Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts, and this is signed & minuted in accordance with regulations.

Financial regulation 4 deals with budgetary control and authority to spend. *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 £10,000; • a duly delegated committee of the council for items over £5,000; or • the Clerk, for any items below £5,000*

Such authority is to be evidenced by a minute or by an authorisation slip duly for all items over £1,000 signed by the RFO or Finance and Administration Manager, and where necessary also by the appropriate Chairman. Contracts may not be disaggregated to avoid controls imposed by these regulations.

FR 4.2 No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the council, or duly delegated committee. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').

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 £5,000. The Clerk shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.

Financial Regulation 11.1g sets out the de-minimis limit for the competitive purchase of goods and services is as listed below.

- £25,000 + Tender Process
- £10,000 - £25,000 3 quotations are required.
- £5,000 - £10,000 – estimates
- £0- £5,000 – power to spend

I reviewed the cashbook for the period 1st April to 30th September and noted the following expenditure items above £5,000 and for fixed asset purchases in excess of £2,000. (FR 13.2) & 10,000 (FR 13.5)

1.	2 31/05/2023 ONEILL Purchase Ledger Neighbourhood Plan consultant	£5,932.00
2.	2 26/05/2023 LOCKMASTER Purchase Ledger INV-0862/6695/Building Mainten	£12,590.00
3.	3 07/06/2023 BLAKEDOWN Purchase Ledger L23198/6736/Grounds Maintenanc	£22,607.77
4.	4 25/07/2023 SCANDOR Purchase Ledger 19370/6738/Grounds Maintenance	£35,641.28
5.	4 03/07/2023 BLAKEDOWN Purchase Ledger L23212/6739/Lower Field Will H	£41,869.69
6.	7 05/10/2023 BLACHERE Purchase Ledger SI56416/6778/Christmas Lights	£6,346.20
7.	1 21/04/2023 BACS036 Cashbook Mid Hants Mowers Limited	£4,212.42

The assistant to the clerk was able to demonstrate quotations had been obtained and where applicable briefing notes presented to council for consideration. The minutes of the council meetings are clear and unambiguous and clearly demonstrate councils measured decision making processes.

Financial Regulation 5 deals with authorisation of payments. FR 5.2 *The Assistant to the Clerk will prepare a schedule of payments requiring authorisation, together with the relevant invoices, and present the schedule to at least two councillors for approval. The relevant councillors shall review the schedule for compliance and, having satisfied itself shall authorise payment via cheque or BACS. A detailed list of all payments over £500 shall be disclosed within or as an attachment to the agenda for the next meeting of the Policy and Resources Committee. Personal payments (including salaries, wages, expenses and any payment made in relation to the termination of a contract of employment) may be summarised to remove public access to any personal information.*

5.3. All invoices for payment shall be examined, verified and certified by either the RFO or the Finance and Administration Manager to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council.

5.4. A record of regular payments made under 5.6 above shall be drawn up and be signed by two members on each and every occasion when payment is authorised - thus controlling the risk of duplicated payments being authorised and / or made.

It was noted that the councillors are provided via email with a scanned copy of each invoice requiring to be authorised for payment. Payment runs are twice per month. However, it was noted that there is no "schedule of payments" per financial regulation 5.2. **I recommend a schedule is drawn up for each payment run. This will enable cross checks to be made between the list of payments, invoices and the payment made.**

Financial regulation 5.4 contains a typo where it refers to 5.6 above, I believe this should say 6.6 below. In addition to this I recommend the council draw up a list of variable direct debts and have this authorised annually by council and verify the direct debts every fours years as per the regulation.

There is an an inconsistency between the threshold for the fixed asset purchase/disposal at FR 13.2 and 13.5 this needs to be corrected.

Financial regulation 6 deals with making payments. The council can make payments by cheque, direct debit, standing Order and bacs. There is no doubt payments are properly reported to council, approved and the physical payment authorised. The bank system has a dual access requirement, I tested seven large payments as noted above and found no errors.

In conducting our walk-through testing, we were able to verify entries from the nominal ledger to the physical invoice, the bank statement and the bank dual authorisation screen.

I am of the opinion the council is following its own regulations and that any changes to financial regulations are to be considered minor and not indicative of errors in the system. I am therefore of the opinion that the control assertion "This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for", has been met.

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

Tested at 30-06-23 – no further testing required

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
To be tested again at the final 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
The council has two or three streams of income, Precept, Grants, Rental and, interest. The precept has been received in full and can be verified to the cashbooks and physical bank statements.

I also reviewed the cashbook for evidence of netting off and to ensure, the individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

The council is VAT registered, I reviewed the invoice file and chose a selection of invoices at random. We noted one instance of no VAT being charged on a service to a charity. The nature of the service did not fit the criteria for exemption and VAT should have been charged. This invoice is being amended so as to automatically correct on the next Vat return.

The council charges VAT on the Assembly Rooms, and Finnimore Pavillon. I am given to understand there are options to tax in place.

During the year the council sold 13 Market square for £275,000 this was received in June 2023. I have verified to the completion statement and the bank statement. I have also noted that in the past this building was let and VAT was charged on the lets.

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 petty cash float, used for incidental expenses. Petty cash records are retained in a hard copy book and the physical cash is checked and balanced at the end of each month by the Finance & Admin Manager.

I checked the physical cash and outstanding receipts and was able to confirm the balance as correct at £385.

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
Previous internal audits have confirmed that all employees have a signed contract of employment, based on the NALC model, and are paid in accordance with the NJC salary scales.

The payroll is calculated by a third party provider. The third party provider is live Pay. The council has fulfilled its obligations in respect of auto-enrolment.

I tested the tax deduction and pay scales for a full time – there were no errors. I am of the opinion salaries are correctly calculated and paid.

The PAYE and NI liabilities are paid monthly. **In reviewing the HMRC tax account it was evident there is a historic short payment of £49.92, and the month 6 SMP credit has not been allocated. This should be addressed with the payroll provider.**

All council employees are paid through the payroll for all council work undertaken. No employees are paid separately for any other council work undertaken. Casual labour payments are correctly recorded via the payroll.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

To be tested at the next 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 a 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 Full Council."

Bank reconciliations are completed on a monthly basis, independently checked and presented to council meetings for review. I reviewed the reconciliations presented for the interim audit. I was able to confirm the balances to the bank statements and found no errors.

I remind council that the regulation states the face of the bank statement shall also be signed.

As the council's budget exceeds €500,000, it does not benefit from protection from the Financial Services Compensation Scheme (FSCS). The council does however have an investment strategy and is in the process of updating this.

It is clear the council carefully considers its banking arrangements.

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.

To be tested again at the 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

To be tested again at the final audit

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

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

Audit findings

To be tested again at the final audit

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 publication requirements for 2022/23 have been met and the Notice of Public Rights is published on the council website.

I confirm the notice of conclusion and External auditors certificate are on the council website.

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 this test does not apply.

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 2021/22 AGAR tick "not covered")*			✓
L	The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements	✓		
M	The authority, during the previous year (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.

Yours sincerely

<u>Mark Mulberry</u>
For Mulberry & Co

Interim Audit - Points Carried Forward 2024

Audit Point	Audit Findings	Council comments
Financial Regulations	It was noted that the councillors are provided via email with a scanned copy of each invoice requiring to be authorised for payment. Payment runs are twice per month. However, it was noted that there is no "schedule of payments" per financial regulation 5.2. **I recommend a schedule is drawn up for each payment run. This will enable cross checks to be made between the list of payments, invoices and the payment made.** **Financial regulation 5.4 contains a typo where it refers to 5.6 above, I believe this should say 6.6 below.** **I recommend the council draw up a list of variable direct debts and have this authorised annually by council and verify the direct debts every fours years as per the regulation.** **There is an inconsistency between the threshold for the fixed asset purchase/disposal at FR 13.2 and 13.5 this needs to be corrected.**	Contact with RBS has been made and sign off report will be produced each time from the RBS system. 5.4 amended This will go to council in November Corrected to read £10K
Payroll	**In reviewing the HMRC tax account it was evident there is a historic short payment of £49.92, and the month 6 SMP credit has not been allocated. This should be addressed with the payroll provider.**	Life Pay have confirmed in writing to Wendy that this is all down to a timing issue re the SMP and that ATC will pay an additional £49.92 to correct the outstanding balance
Bank & cash	**I remind council that the regulation states the face of the bank statement shall also be signed.**	I can confirm that the face of the bank statement will be put before a councillor for sign-off