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

8th January 2025

Dear Pat

Re: Alton Town Council
Internal Audit Year Ended 31 March 2025 – Interim Audit report

Executive summary
Following completion of our interim internal audit on 8th January 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. The systems in place are a model of good practice.

It is therefore our opinion that the systems and internal procedures at Alton 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 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 2024/25 internal audit assignment. Copies of this document are available on request.

Planning and inherent risk assessment
The scope and plan of works including fee structure was issued to the council under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR.

It is our opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be "walk through testing" on sample data to encompass the period of the council year under review.

Table of contents

		TEST AT INTERIM	TEST AT INTERIM	TEST AT INTERIM	TEST AT FINAL	PAGE
A	BOOKS OF ACCOUNT	✓				3
B	FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS	✓		✓		3
C	RISK MANAGEMENT AND INSURANCE		✓			3
D	BUDGET, PRECEPT AND RESERVES		✓	✓	✓	4
E	INCOME		✓			4
F	PETTY CASH	✓	✓	✓	✓	4
G	PAYROLL		✓		✓	4
H	ASSETS AND INVESTMENTS			✓	✓	4
I	BANK AND CASH	✓	✓	✓	✓	5
J	YEAR END ACCOUNTS	✓			✓	6
K	LIMITED ASSURANCE REVIEW	✓				6
L	PUBLICATION OF INFORMATION	✓				6
M	EXERCISE OF PUBLIC RIGHTS – INSPECTION OF ACCOUNTS	✓			✓	6
N	PUBLICATION REQUIREMENTS	✓				6
O	TRUSTEESHIP	N/A	N/A	N/A	N/A	6
	ACHIEVEMENT OF CONTROL ASSERTIONS AT INTERIM AUDIT DATE					7
	INTERIM AUDIT POINTS CARRIED FORWARD					8

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.

Audit findings

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

The external auditors report for the 2023/24 financial year was approved by full council on the 9th of October minute ref 67. The 2023/24 AGAR is correctly published on the website, together with the notice of conclusion.

I have noted with some surprise the comment in the minutes regarding a councillor being unable to *"approve the External Auditors Report*" on the basis they could *"not be sure of their impartiality"*. Please note the external auditors are independently appointed by SAAA (Smaller Authorities' Audit Appointments Ltd). SAAA is the sector-led limited company appointed by the then Department of Communities and Local Government as the 'specified person' to, procure and appoint external auditors to smaller authorities in England, perform the functions set out in the relevant legislation, and monitor delivery of the ongoing audit contracts.

I can assure council that the externally appointed auditor is independent from the decision making of the council, is not under any influence from the council, is not reliant on the individual fee from the council and is not influenced by the opinion it gives, i.e. its position as auditor is not under threat of termination by issuing a qualified report. On this basis the external auditor can be considered impartial in its decision making.

Further payments testing at third interim

I reviewed the cashbook for October, November and December and selected a sample of payments to prove the purchasing process was being followed.

- 10/10/24 Roofix & Construction, BACS024, £9,500 – roof repairs at Jubilee Bungalow – Minute ref 53 FC 04/09/24
- 10/10/24 Axtell Surfacing & Ground Works, BACS002 £1,776 – Pothole work at Anstey Park
- 29/10/24 MH Goals Limited BACS011, £3,946.80 – New football goals
- 4/11/24 Gristwood & Toms Bacs018 £6,129.52 – tree work
- 4/11/24 Blachere BACS004 £5,760 – Christmas lights install
- 23/12/24 Green Frontiers BACS011 £19,941.60 – emergency tree works – retrospective approve in Jan Full council for emergency works

For all of the above items, I have verified the entry to the physical invoice, the bank statement entry the bacs report and where applicable the purchase order and officer approval. There were no errors in the process.

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 second interim

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

I reviewed the income and expenditure report as at 31st December 2024 and noted that whilst some individual line items were over budget the cost centres to which they related were within budget, with one exception.

Cost Centre 320 Allotments is showing as over budget by £3,984. I understand council is given the income and expenditure report on a monthly basis so will have had sight of this; however, **I recommend that for the avoidance of doubt the minutes show that council have been made aware of this and the implications. In addition to this, the minute would show that council gives approval for continued spending, otherwise it could be argued that further spending would be against financial regulations.**

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

Tested at second interim

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 continues to maintain a minimal petty cash float and records the entries in a separate cashbook as well as populating the Rialtos bookkeeping package. 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 at December (including two entries for January 2025) and agreed it back to the cashbook and the cash analysis. There were no errors.

I am of the opinion that petty cash is properly maintained and supported by underlying receipts.

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

Tested at second interim

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

The council maintains a simple fixed asset register in Excel, the list agrees to the AGAR and contains basic details regarding the asset and its insurance value. In terms of compliance with internal audit this is correct and there are no errors.

We had a discussion regarding improving the register to make it more of a working document that would assist in ensuring council can make proper provision for replacing and repairing its fixed assets.

The council already has a subscription to the fixed asset module in the Rialtus bookkeeping package, which will enable the population of further information regarding each asset, namely;

- Unique identification number
- Asset description
- Asset serial number
- Asset Grouping - identifying the type of asset eg: vehicles, land street furniture etc
- Original cost
- Current value
- Insurance value
- Detail of who supplied the asset
- Where the asset is located
- The date the asset was acquired

The population of this information will make the council in full compliance with FR 13.1 and FR13.2 as copied below.

13.1. Assets, properties and estates The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the council. The RFO shall ensure an appropriate and accurate Register of Assets and Investments is kept up to date of all properties held by the council, their location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with Accounts and Audit Regulations.
13.2 The continued existence of tangible assets shown in the Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.

Finally, **I would recommend the production of a fixed asset capitalisation policy** to dovetail with the financial regulations, to provide officers and councillors with clear guidance of what constitutes a fixed asset or not. Please see appendix for an example. This should be tailored to the councils own requirements.

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 continue to be completed on a monthly basis, taken to council and approved. I reviewed the reconciliations for December, November and October and was able to confirm the balances to the bank statements and found no errors.

I noted that the reconciliation and bank statement have been signed in accordance with the Financial Regulations.

I verified the reconciliations have been taken to council by reviewing the October and Nover minutes and am able to confirm that these have been properly minuted.

I am of the opinion that the council continues to properly carry out bank reconciliations in accordance with financial regulations.

J. YEAR END ACCOUNTS

Tested at first interim

K. LIMITED ASSURANCE REVIEW

Tested at first interim

L: PUBLICATION OF INFORMATION

Tested at first interim

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Tested at first interim

N: PUBLICATION REQUIREMENTS

Tested at first interim

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.	✓		
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

M Mulberry

Mark Mulberry
Mulberry Local Authority Services Ltd

Interim Audit 2024/25 - Points Carried Forward

Audit Point	Audit Findings	Council comments
VAT	I have reviewed a sample of sales invoices drawn at random and a sample of invoices to charities. I remind council that it is important to obtain a certificate of exemption from the charity in order to be able to zero rate the sales invoice to them. In the absence of a valid certificate of exemption VAT must be charged on invoices to charities. The certificates should be retained in the Vat permanent folder. I have provided the Assistant Clerk with the links to the HMRC website for pro form exemption certificates.	Completed
Budget	Cost Centre 320 Allotments is showing as over budget by £3,984. I understand council is given the income and expenditure report on a monthly basis so will have had sight of this; however, I recommend that for the avoidance of doubt the minutes show that council have been made aware of this and the implications. In addition to this, the minute would show that council gives approval for continued spending, otherwise it could be argued that further spending would be against financial regulations.	
Fixed Assets	We had a discussion regarding improving the register to make it more of a working document that would assist in ensuring council can make proper provision for replacing and repairing its fixed assets. I would recommend the production of a fixed asset capitalisation policy to dovetail with the financial regulations, to provide officers and councillors with clear guidance of what constitutes a fixed asset or not. Please see appendix for an example. This should be tailored to the councils own requirements.	

Appendix

Fixed Asset Register
Local councils must maintain an asset register to ensure fixed assets are appropriately safeguarded and maintained. The Fixed Asset Register has four main purposes:

• It forms a basis for the completion of box 9 in the Annual Governance and Accountability Return (AGAR).
• It forms a basis for decisions on risk and insurance issues.
• It provides information on the age and potential lifespan of certain assets.
• It provides assurance of the continued existence of Council's property.

The Register is adopted by the Council at the end of each Financial Year. It is, however, a working document that will be maintained by the Finance Officer throughout the subsequent Financial Year.

Scope of the Asset Register
In order to ensure transparency and reasonableness, the following items are included in the Council's asset register, whether purchased, gifted or otherwise acquired, together with their holding location:
• Land and buildings held freehold or on long term lease in the name of the Council.
• Community assets.
• Vehicles, plant and machinery.
• Assets considered to be portable, attractive or of community significance.
• Other assets estimated or known to have a minimum purchase or resale value of £100. (Note – here you may want to consider expected life of the item, purchase value and use)
• Long term investments, shares and loans made by the Council.
• Assets held on trust – if any.

The values indicated in the asset register will inform the 'Total Fixed Assets' section of the AGAR (section 9).

The following items fall outside the definition for inclusion and are therefore excluded from the Council's asset register:
• Land and buildings held on short term lease or rented
• Land and buildings maintained or serviced, but not owned by the Council
• Assets rented by or loaned to the Council
• Stock items intended for resale
• Stationery and other consumable items
• Plants and trees • Cash, short term investments and other current assets
• Intangible assets (e.g. trademarks, internet domain names, contingent assets, broadcast rights)
• 'Negative' assets (e.g. provisions, borrowings, creditors and contingent liabilities)

Once recorded on the asset register, the value of assets must not change from year to year until disposal. Commercial concepts of depreciation, impairment adjustments, and revaluation are not required or appropriate for the 'Fixed' method of asset valuation. For reporting purposes therefore, the original value of fixed assets will usually stay constant throughout their life until disposal (Governance and Accountability for Local Councils: A Practitioner's Guide (England)).

All Revenue Expenditure (consumable) items worth less than £2,000 such as computers, printers, brush cutter, hand tools, chain saws etc. are to be included on the Council's inventory as an appendix to the Asset Register.

Procedure for Updating the Asset Register
The Finance Officer is required to update the Fixed Asset Register throughout the year, as and when assets are purchased or disposed of.