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

23rd April 2025

Dear Pat

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

Executive summary

Following completion of our year-end internal audit we enclose our report for your kind attention and presentation to the council. This report contains details of the additional testing conducted at year-end and should be considered alongside any interim audit reports issued. The audits were 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. 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. The systems and processes in place are a model of good practice.

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 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 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 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.

Year-End Audit
The year-end audit was conducted on site. Information was requested from the council in advance of the audit taking place, and this was reviewed along with other information published on the council's website www.allbrook-pc.gov.uk

Table of contents

Interim 2023/24 Audit - 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.	Completed
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.	On-going

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

Analysis of the council's year-end income and expenditure report shows total income for the year reported as 136% and total expenditure as 105%.

I have reviewed the income and expenditure against budget and note the additional unbudgeted income is due in the main to CIL. All other line items exhibit only minor variances, this suggests that the council budget was set appropriately and has been carefully monitored throughout the year.

At the end of the financial year, the council held circa £1,664,373 in earmarked reserves (EMR) and a further £129,491 in the general reserve. The earmarked reserves are listed and appear to be for bonafide ongoing projects.

The Smaller Authorities Proper Practices Panel (SAPPP) formally 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.

I am satisfied the requirements of this control objective were met for 2024/25.

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 March 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

I reviewed the total figure being included within box 4 (staff costs) on the Annual Governance and Accountability Return (AGAR) and was able to confirm this includes only salary payments, HMRC payments and pension contributions.

I am satisfied the requirements of this control objective were met for 2024/25.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

I confirmed the asset register total matches that included in box 9 (total fixed assets plus long term investments and assets) on the AGAR. **I recommend a reconciliation schedule is drawn up to show the movements from the prior year to the current year as the external auditor can ask for this as a follow up.**

I confirmed to third party evidence the interest, capital and end of year loan balances on the PWLB loans as shown in boxes 5 & 10 of the AGAR. There we no errors.

I am satisfied the requirements of this control objective were met for 2024/25.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

I reviewed the March 2025 bank reconciliation for all accounts and was able to confirm the balances to the bank statements and cashbooks and found no errors. The balances agreed to the end of year AGAR.

The council does not benefit from the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS). The council has an adopted investment strategy on its website.

I am satisfied the requirements of this control objective were met for 2024/25.

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

The council, at its meeting to sign off the year-end accounts, must discuss Section 1 of the AGAR (Annual Governance Statement) and record this activity in the minutes of the meeting. **COUNCIL IS REMINDED THAT THIS MUST BE A SEPARATE AGENDA ITEM PRIOR TO THE SIGNING OF SECTION 2 OF THE AGAR (ANNUAL ACCOUNTS).**

Section 1 – Annual Governance Statement

Based on the internal audit finding I recommend using the table below as the basis for that discussion.

	Annual Governance Statement	*'Yes', means that this authority*	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	*prepared its accounting statements in accordance with the Accounts and Audit Regulations.*	**YES** – accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	*made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.*	**YES** – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	*has only done what it has the legal power to do and has complied with Proper Practices in doing so.*	**YES** – the Clerk advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	*during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.*	**YES** – the requirements and timescales for 2023/24 year-end were followed.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	*considered and documented the financial and other risks it faces and dealt with them properly.*	**YES** – the council has a risk management scheme and appropriate external insurance.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	*arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.*	**YES** – the council has appointed an independent and competent internal auditor.
7	We took appropriate action on all matters raised in reports from internal and external audit.	*responded to matters brought to its attention by internal and external audit.*	**YES** – matters raised in internal and external audit reports have been addressed.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this	*disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.*	**YES** – no matters were raised during the internal audit visits.

	authority and. Where appropriate, have included them in the accounting statements.		
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	*has met all its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.*	**N/A** – the council has no trusts

Section 2 – Accounting Statements

AGAR box number		2023/24	2024/25	Internal Auditor notes
1	Balances brought forward	1,049,931	1,587,852	Agrees to 2023/24 carry forward (box 7)
2	Precept or rates and levies	826,979	851,976	Figure confirmed to central precept record
3	Total other receipts	1,099,126	726,160	Agrees to underlying accounting records
4	Staff costs	505,927	513,500	Agrees to underlying accounting records. Includes only expenditure allowed as staff costs (see section G)
5	Loan interest/capital repayments	9,411	9,411	Confirmed to PWLB documents
6	All other payments	872,846	849,213	Agrees to underlying accounting records
7	Balances carried forward	1,587,852	1,793,864	Casts correctly and agrees to balance sheet

8	Total value of cash and short-term investments	1,588,383	1,906,735	Agrees to bank reconciliation for all accounts
9	Total fixed assets plus long-term investments and assets	3,092,603	3,082,953	Matches asset register total and changes from previous year have been traced
10	Total borrowings	182,280	176,904	Confirmed to PWLB documents

For Local Councils Only		Yes	No	N/A	
11a	Disclosure note re Trust Funds (including charitable)		☑		*The Council, as a body corporate, acts as sole trustee and is responsible for managing Trust funds or assets.*
11b	Disclosure note re Trust Funds (including charitable)			☑	*The figures in the accounting statements above do not include any Trust transactions.*

Audit findings

The year-end accounts have been correctly prepared on an income and expenditure basis with a box 7 and 8 reconciliation properly completed.

It was noted there is a significant accrual of £70k for the path works at flood meadows. This is a project which will be funded out of CIL monies received in part during the year. The project was tendered prior to the year end. I have discussed this with the Finance Officer because there is an alternative accounting treatment whereby the expenditure is not accrued, and the reserves of the council are increased. The expenditure then being recognised in a future year. On the basis this project was budgeted for in the current year, the corresponding receipt was received in the current year, and the tenders were out in the current year, I am content to leave this as an accrual, thereby recognising the expense as a 2025 expense.

The AGAR correctly casts and cross casts and last year's comparatives match the figures submitted for 2023/24 and published on the council website.

The variance analysis has been completed to explain the variances where required. It was explained to me that at the end of the 2024 year end, that three invoices and a credit note were posted to the system after the 2024 AGAR reports had been produced and signed off. Therefore these transactions totalling £1,697.44 should have been reported in the 2024/25 council year. The RBS packaging due to timing has reported them into 2023/24. A manual adjustment was made to the AGAR to ensure correct treatment and timing. I am in agreement with the adjustment made and confirm there is no error and reserves remain correct.

I am satisfied the requirements of this control objective were met for 2024/25.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations.

(During the 2024/2025 AGAR period, were public rights in relation to the 2023/2024 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).

Audit findings

Inspection – key dates	2023/24	2024/25 Proposed
Date AGAR signed by council	1st May 2024	7th May
Date inspection notice issued	27th May 2024	TBC before 3rd June and after 7th may
Inspection period begins	3rd June 2024	3rd June 2025
Inspection period ends	12th July 2024	14th July 2025
Correct length (30 working days)	Yes	Yes
Common period included (first 10 working days of July)	Yes	Yes

I am satisfied the requirements of this control objective were met for 2023/24, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council.

I was able to confirm that the proposed dates for 2024/25 meet the statutory requirements.

I am satisfied the requirements of this control objective were met for 2024/25.

Achievement of control assertions at year-end audit date

Based on the tests conducted during the year-end audit, our conclusions on the achievement of the internal control objectives are summarised in the table below and are reflected in the completion of the Annual Internal Audit Report within the AGAR.

	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 Finance 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 2023/24, it met the exemption criteria and correctly declared itself exempt. *(If the authority had a limited assurance review of its 2023/24 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	M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations. (During the 2024/2025 AGAR period, were public rights in relation to the 2023/2024 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	☑		
N	The authority has complied with the publication requirements for 2023/24 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

<u>Mark Mulberry</u>
Mulberry Local Authority Services Ltd

Year-End Audit - Points Carried Forward

None at the year end

Audit Point	Audit Findings	Council comments
Fixed Assets	I recommend a reconciliation schedule is drawn up to show the movements from the prior year to the current year as the external auditor can ask for this as a follow up.	