



## MULBERRY & CO

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Our Ref: MARK/SAL002

Mrs E Sherry  
Salisbury City Council  
The Guildhall  
Market Place  
Salisbury  
Wiltshire  
SP1 1JH

21<sup>st</sup> May 2018

Dear Estelle

**Re: Salisbury City Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2018**

Following completion of our initial interim audit on the 15<sup>th</sup> November, our second interim visit on the 26<sup>th</sup> February and our final visit on the 21<sup>st</sup> May 2018 we enclose our report for your kind attention and presentation to the council.

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. 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.

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. The summary results of our interim visits are replicated below, for the full detail we refer you to our written reports of those dates. Where appropriate recommendations for future action are shown in bold text.

**1<sup>st</sup> Interim Audit (15<sup>th</sup> November 2017) – Summary Findings**

At the interim visit we reviewed and performed tests on the following areas:

- Review of the Financial Regulations & Standing orders
- Review of the Risk Assessments
- Review of the Budgeting process
- Proper Bookkeeping – review of the use of the accounts package.
- Review of salaries
- Review of fixed asset register
- Review of Trusts

It is our opinion that the systems and internal procedures at Salisbury Town Council Council are well established, regulated and followed. The RFO is very experienced and ensures the council follows best practice regulations

and has over time adapted and changed the internal procedures as regulations and technologies have changed to maintain compliance.

It is clear the council takes governance, policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose.

#### **2<sup>nd</sup> Interim Audit Interim Audit (26<sup>th</sup> February 2018) – Summary Findings**

At the interim visit we reviewed income & petty cash and performed tests on the following areas:

- Proper Bookkeeping – review of the use of the accounts package in respect of recording income
- Analytical review of Income streams
- Walk through testing of income receipts
- Review of output VAT and the recording thereof

It is our opinion that the systems and internal procedures at Salisbury City Council in respect of recording and receiving income are very well established, regulated and followed and I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose.

#### **Final Audit (21<sup>st</sup> May 2018) – Summary Finding**

At the final visit we reviewed and performed tests on the following areas:

- Review of annual accounts & AGAR
- Review of bank reconciliation
- Review of box 7 & 8 reconciliation
- Review of information for external auditor

I am of the opinion that the annual accounts and AGAR are ready to be signed off by council and the external auditor and that the AGAR is a true and fair reflection of the financial transaction of that of the council for the year ended 31<sup>st</sup> March 2018. Accordingly, I have signed off the AGAR.

#### **B. Payments, process and governance (INTERIM & FINAL AUDIT)**

##### **Final Audit**

All Other Payments £3,216,275 (2017: £2,577,463).

Other payments have increased year on year by 25.8% (£664,023) this is due to in the main to the additional expenditure the council is now responsible for, subsequent to the asset transfer from Wiltshire Council. The process for authorising expenditure was tested at the interim visit, there were no errors to report.

I am of the opinion that total other payments are correctly shown on the AGAR.

#### **D. Budget, Precept & Reserves (INTERIM & FINAL AUDIT)**

##### **Final Audit**

Reserves Carried Forward £1,720,399 (2017: £1,288,718)

The council has £917k of earmarked & capital reserves and a general reserve of £778k. Rule of thumb calculations would suggest a general reserve of 50% of precept as adjusted for local conditions to be reasonable at circa £870k. However, the council has additional regular income streams and robust cash flow management. I am of the opinion that general reserves are entirely adequate for a council of this size.

I am of the opinion reserves are properly monitored, reported and disclosed.

## **E. INCOME (INTERIM & FINAL AUDIT)**

### **Final Audit**

Precept income £1,740,096 (2017: £1,496,763)

Other income £3,688,069 (2017: £3,216,426)

The income procedures were tested at the interim visits, the detail of which can be seen in the interim reports. There were no errors or misstatements to report at either interim visit.

Precept income has increased by 16.3% year on year [£243,333] due to the additional expenditure requirement, from the asset transfer from Wiltshire Council, comprising amongst others, additional grounds and street maintenance, waste disposal and building maintenance costs.

Other income has increased by 14.7% year on year [£471,643] due to in the main to additional S.106 and grant funding. Together with the additional precept, this has to a larger extent offset the extra net costs of £664,023 incurred as a result of the asset transfer and is the reason why overall reserves did not decrease this year.

I am of the opinion that income is properly recorded on the AGAR.

## **G. Payroll (INTERIM & FINAL AUDIT)**

### **Final Audit**

Staff Costs £1,548,654 (2017: £1,410,943)

The internally processed payroll was reconcilable to the AGAR. The amounts processed via the payroll agreed to the cashbook, have been agreed by council, all without error; we were at the time of the final visit able to prove the gross pay of an employee to the agreed conditions of employment.

I am of the opinion that staff costs are properly disclosed on the AGAR.

## **H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)**

### **Final Audit**

Fixed Assets and Investments £18,096,081 (2017: £17,917,674)

Loan interest & Capital £231,555 (2017: £231,555)

Total Borrowings £2,101,528 (2017: £2,272,810)

The loan repayments and loan balance were agreed to bank statements and closing statement from debt management office. There were no errors.

The fixed asset register agreed to the AGAR, the register lists the assets at their cost or proxy cost and it is possible to identify the movement between the years.

I am of the opinion that fixed assets, loans and loan interest and capital are properly disclosed on the AGAR.

## **I. BANK RECONCILIATIONS (INTERIM & FINAL AUDIT)**

### **Final Audit**

Bank & Cash Balances £1,886,111 (2017: £1,306,557)

At the year-end date the council had a reconciled bank position which was approved in April 2018.

I have reviewed the reconciliation there are two bank accounts and two petty cash floats none of these are long term investments insofar as they need to be disclosed in box 9, and in that respect they are correctly disclosed.

There were outstanding payments & lodgements, and I have verified these to the after date bank statements, all cleared with no errors.

I discussed with the RFO the high level of bank and cash balances that are in the current account not earning any interest. I was shown a paper that was being presented today to request permission to invest £500k into a CCLA investment. I am pleased to see proactive action in respect of ensuring council deposits are invested such that a return is made on them.

A review of the cashbook control showed that total receipts into the bank were £6,568,311 this was sample tested back to the bank statement summaries provided by HSBC; however, the nominal account 81001 showed total receipts to be £6,710,088 the difference being attributable to net transfers from the commercial account and Arbutnot, together with journal corrections and adjustments for debtors brought forward and carried forward.

**I would recommend for future reference that a reconciliation between cashbook receipts and income reported in the accounts be undertaken to provide verification that income is being correctly disclosed, this could be achieved by expanding the cashbook control to separate our income from transfers and correcting entries.**

I am of the opinion that bank and cash balances are properly shown on the AGAR.

#### **J. YEAR END ACCOUNTS**

The year-end accounts have been correctly prepared on the income and expenditure basis, with a requirement for a box 7 & 8 reconciliation which has been completed. It was noted that an opening balance had not been posted to the financial accounting package and this was causing a discrepancy on the opening reserves. This has been corrected and the financial reporting package will be adjusted accordingly.

If I were to make one comment, it would be for future years to draw up comparative consolidated income and expenditure and balance sheet accounts, these documents, whilst a snap shot in time will provide an invaluable summary as to how the council has performed during the year as compared to prior years. I also find that these type of accounts are generally easier to present and are more readily readable by the public which is important when considering transparency legislation requirements.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2016/17 AGAR. The variance analysis is required for boxes 2, & 6 and this has been prepared in a logical tabular format. **I would recommend the reasons for the additional income and expenditure be expanded upon by the additional of additional text, otherwise there is a danger the external auditor could write back for further information.**

The council has made provision within its schedule of meetings to sign off the annual governance statement and accounts in time to display the notice of electors rights.

I am of the opinion the accounts and AGAR are ready for submission to the external auditor.

Should you have any queries please do not hesitate to contact me, finally I enclose a fee note for your kind attention.

Kind regards  
Yours sincerely

*Mark Mulberry*

**Mark Mulberry**



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Our Ref: MARK/SAL002

Mrs E Sherry  
Salisbury City Council  
The Guildhall  
Market Place  
Salisbury  
Wiltshire  
SP1 1JH

6<sup>th</sup> November 2018

Dear Estelle

**Re: Salisbury City Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2018**

Following completion of our first interim internal audit on the 6<sup>th</sup> November 2018, 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. Where appropriate, **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

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. 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.

**Interim Audit – Summary Findings**

At the interim visit we reviewed and performed tests on the following areas:

- Review of the Financial Regulations & Standing Orders
- Review of the Risk Assessments
- Review of the Budgeting Process
- Proper Bookkeeping – review of the use of the accounts package.
- Review of salaries
- Review of fixed asset register

It is our opinion that the systems and internal procedures at Salisbury City Council are well established and followed. The RFO is very experienced and ensures the council follows best practice regulations and has overseen changes to the internal procedures as regulations and technologies have changed to maintain compliance.

It is clear the council takes governance, policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are fit for purpose. I would like to thank Estelle & her team for their assistance and whilst my report contains recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well ordered system.

## A. BOOKS OF ACCOUNT (INTERIM & FINAL AUDIT)

The Council continues to use the Exchequer accounting package for recording and reporting on the financial transactions of that of the council. This is not an industry specific package and as such is augmented by excel for reporting to council.

The system is used daily by the finance team and a review of the cashbook shows that all data fields are being populated and the details are such that a reader of the accounts can gain an understanding of the nature and scope of the transactions.

There are four members in the finance team, the RFO, senior financier office and finance officer(s). Each user logs on with their own individual logons. The system is set that passwords must be updated every couple of months. There are other users of the council staff that have access to the financial reporting package, although, control is maintained by restriction of access rights. This is controlled by the RFO.

The responsibilities of each member are but are not limited to:

- RFO; Payroll, VAT, budgets, oversight, reporting to council, insurance journals, charitable funds and investments
- Senior Finance Officer (part Time); journals, bank reconciliation, payment runs
- Finance Officer (2 part time roles); – sales and purchase ledger, credit control, banking

Every month, various reports are printed and filed in hard copy, these include but are not limited to; Income and expenditure against budget, cashbooks, and bank reconciliations. The reports contain sufficient information to enable the reader to drill down to the transaction level should this be required. The hard copy reports are easy to read and logically filed.

I performed walk through testing on a randomly drawn item of income and item of expenditure; on the system I was able to see all data fields were being populated and the underlying hard copy documentation could be located. The hard copy documentation was appropriately annotated so that the reverse walk through could be performed from hard copy documentation to system entries to accounts entry. There was no indication that substantive testing was required to prove correct classification of income and expenditure lines. This is a clear and easy to follow system and I make no recommendation to change.

As reported before, it is clear the accounting package fulfils the requirements of a financial reporting package, but it is equally clear that a large amount of reporting is taken to excel. The council may want to consider a reporting package that is tailored to local authorities and one that can produce, budget and committee reports, annual returns, payments lists, and perhaps be integrated with a bookings and or burial system if required. I have provided the RFO with the names of three companies that provide local authority software together with the names of clerks that use the packages for reference purposes.

I tested opening balances as at 1.4.18 and confirmed they could be agreed back to the audited accounts for 2017-18.

I confirmed that the Council's VAT returns are up to date, with VAT claimed to the end of September 2018 with the refund being received in October 2018. **The council needs to be aware that the VAT regime is changing in April 2019, insofar as the method in which data is submitted to HMRC will have to come directly from the financial reporting package.** At the audit date, it was not clear if the current accounting package supports direct submission. This is being investigated.

Overall, I have the impression that the accounting systems are well ordered, routinely maintained, contain a good level of duties segregation, and sufficient internal controls to reduce the inherent risk of error misstatement to a low level

and as such, I feel the internal controls of the council can be relied upon and as such I make no recommendation to change.

## **B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT)**

### **Interim Audit**

The external auditors report was not qualified in 2017/18 and the notice of conclusion of audit has been publically displayed. However, this was not reported in the minutes. **I recommend the signed annual return and notice of conclusion be taken to full council for approval.**

I confirmed by sample testing that Councillors sign "Acceptance of Office" forms and a register of members interests, in line with regulations.

Minutes are prepared for all meetings of the Council and its committees.

- Full Council; meets quarterly
- Finance & Governance – quarterly
- Services – quarterly
- Planning – 3 weekly
- Personnel – as and when

There are also a number of working parties and groups which meet as and when necessary to cover specific tasks. Full council has the spending powers, although, finance and governance can make recommendations.

The Council is required by law to follow the 2015 Transparency Code and a review of the web site shows the code is being followed with a dedicated page set aside for this. However, it was noted there are a number of broken or out of date links. **I recommend that the website links be reviewed and updated as this is the public facing side of the council and this will come across as unprofessional.**

The committee meeting agendas, minutes and supporting documents are uploaded to the council website in accordance with regulations. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting. **However, we did note that the October 2018 signed minutes for Finance and Governance were not in the hard copy filing.**

It was noted the Council has common email addresses denoting "*@salisburycitycouncil*" for staff and councillors alike. This is good practice.

The council has adopted NALC model standing orders and financial regulations both of which are available on the council website and evidence shows these are routinely reviewed and updated by council. **It was noted the standing orders contents page has become out of sync with the body of the document, this needs correcting. It was also noted the website copy of the financial regulations is an older version and needs updating.**

The de-minimis limits recorded in the Financial Regulations for the competitive purchase of items and services is as listed below.

- £25,000 + Tender Process
- £5,000 - £25,000 3 quotations are required.
- £500 - £5,000 – strive to get 3 estimates
- 0 - £500 – power to spend

There is a typo in para 11.8 of document 64055, the RFO is aware and this is being updated.



Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts, these are signed in accordance with regulations. However, evidence was light in respect of reporting in the minutes. **I would recommend that the activity of signing the bank reconciliation be added to the quarterly RFOs report.**

Financial regulation 4 deals with budgetary control and authority to spend. The council has thresholds in place at which authorisations to spend must be obtained. In addition to this there is evidence of regular monthly budget reporting. There have been no virements over £25,000 since April 2018.

The council uses a Purchase Order (PO) system, where Po's are raised and matched to the supplier's invoice. However, there is a weakness in this process, insofar as,

1. PO's are not always raised – this is especially the case for small value items.
2. In some instances, a purchase order can trigger the delivery of goods and services, before the physical supplier invoice is received and reviewed. This is a risk because the council can be put in a position to pay for goods and services before any second review or approval. Whilst the supplier invoice is matched to the PO and a separate individual authorises the invoice – this control is too late to be effective.

**I recommend that the control process is put in place at the ordering level, to ensure that for items exceeding a financial threshold a secondary level of approval is obtained. The authorisation of the physical invoice can then be completed by the RFO or Senior Finance Officer instead of the budget holder to indicate it can be processed and paid on the financial package**

Invoices when received are signed off and coded by the budget holder and presented to the accounts department. The approved invoice is posted to the finance accounting package and filed in an unpaid file. The invoices are annotated with a unique transaction number.

Invoices are paid weekly using system generated reports to show which invoices are due. The hard copy invoices are cross ticked to the payment report and processed for payment on the financial package. A file is then uploaded to HSBC from the finance package that automatically sets up the payment. This is then dual authorised on the bank web page by two separate authorised individuals. The hard copy invoice is annotated with the payment run number and filed in the paid files in transaction number order.

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit and bacs. Cheques must be signed by RFO and Clerk, interbank transfers can be made by the RFO and Clerk. Internet payments are made via the bank website, the bank is set such that the originator cannot individually authorise the same transaction, so there is a natural segregation of duties and control in place. Admin changes must be authorised by an officer.

My audit testing verified invoices annotated with transaction and payment reference numbers and these could be used to walk through to the payment report and vice versa.

Financial regulation 7 deals with salary payments: Salaries are processed and authorised by council in the usual manner in accordance with regulations.

Financial regulation 8 deals with loans and investments. Loans and investments are in the name of the council.

Financial regulation 9 deals with income. The council regularly reviews fees and charges and minutes these.

Aged debtors are chased weekly. The council uses, statements, email and phone.

I am of the opinion that at the interim stage, the council is following its own regulations, the systems and process are robust, fit for purpose and suitable for a council of this size. **If I had one observation, it would be that it would be nice to see a greater level of councillor review and interrogation of the financials as it appears the RFO'S reports whilst comprehensive and complete are accepted without question each time.**

#### **C. RISK MANAGEMENT & INSURANCE (INTERIM & FINAL AUDIT)**

##### **Interim Audit**

The Council undertakes a full risk assessment that covers operational and financial risks, this was taken to council in October 2018. It was noted in the financial risk document refers to fraud, more commonly this is referred to as "Error and Misstatement" which encompasses fraud, a deliberate and intentional act, as opposed to a misstatement which occurs when something has not been treated correctly in the financial statements. Examples of misstatement, which can arise due to error or fraud, could include:

- An incorrect amount has been recognised – for example, an asset is not valued correctly
- An item is classified incorrectly – for example, finance cost is included within cost of sales
- Presentation is not appropriate –
- Disclosure is not correct or misleading

**The council may want to consider expanding on this line item in future to separate out unintentional errors and how internal controls are designed to identify these – manager review, sign off of bank reconciliation, two signatures to make payments etc.**

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Money and asset cover appear adequate.

I am of the opinion that the control objective of "This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.", has been met

#### **D. BUDGET, PRECEPT & RESERVES (INTERIM & FINAL AUDIT)**

##### **Interim Audit**

I confirmed that the 2019-20 budget and precept setting process was underway at the time of our interim audit. This will be further tested at our second Interim visit.

#### **E. INCOME (INTERIM & FINAL AUDIT)**

To be tested at the second interim visit

#### **F. Petty cash**

To be tested at the second interim visit

#### **G. PAYROLL (INTERIM & FINAL AUDIT)**

##### **Interim Audit**

The council uses the Iris payroll package to calculate the monthly payroll. This is a tried and tested payroll package and I make no recommendation to change.

Audit testing showed that time sheets could be agreed to the payroll. There were no errors in the sample selected.

The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS with the tax deduction given via the payroll.

I tested the tax deduction for a full time employee – there were no errors.

Monthly PAYE and NI deductions and returns have been submitted online, on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review. The PAYE and NI liability for October 2018 was paid on time.

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. Councillors were paid allowances via the payroll.

I am of the opinion that the control object of "Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.", has been met.

## **H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)**

### **Interim Audit**

The Council has a fixed asset register in place. Assets are correctly stated at historic or proxy cost. However, as a working document to indicate if assets are physically in existence, or to note their condition could be improved.

The council has a large number of assets, some of which are very portable. The financial regulations at para 14.6 contain provisions for the monitoring and safeguarding of fixed assets. In addition to this, Assertion 2 of the annual governance statement states, "The authority's assets need to be secured, properly maintained and efficiently managed. Appropriate procedures need to be followed for any asset disposal and for the use of any resulting capital receipt." **I recommend that the register be added to, to make this more of a working document by the inclusion of columns to denote**

- **Date last physically vouched**
- **Condition (good, reasonable, poor)**

I am of the opinion that the control objective of "Asset and investments registers were complete and accurate and properly maintained.", has been met.

## **I. BANK & CASH**

The Council has 2 bank accounts, HSBC and Arbuthnot. I have tested that the bank accounts are being reconciled promptly at the end of each month. I also re-performed the September 2018 bank reconciliation. I found no error.

## **J. YEAR END ACCOUNTS**

TBC at the year end

## **K. Trusteeship**

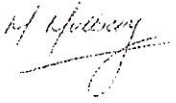
The council is sole managing trustee of 4 trusts.

1. 1000271 – Harnham Recreation Ground – no income & expenditure and filing up to date
2. 266726 – Victoria Park & Recreation Ground - no income & expenditure and filing up to date
3. 280212 – Hudsons Field Open Space - no income & expenditure and filing up to date
4. 1081377 – Lower Bemberton Recreation Ground and Endowment Fund – has income and expenditure – all filings up to date.

The mayoral charitable funds are not paid into the council bank accounts

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

Kind regards  
Yours sincerely

A handwritten signature in cursive script, appearing to read 'Mark Mulberry', with a long horizontal flourish extending to the right.

**Mark Mulberry**



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Our Ref: MARK/SAL002

Mrs E Sherry  
Salisbury City Council  
The Guildhall  
Market Place  
Salisbury  
Wiltshire  
SP1 1JH

23<sup>rd</sup> May 2019

Dear Estelle

**Re: Salisbury City Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2019**

Following completion of our final audit on the 23<sup>rd</sup> May 2019 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. Where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report. The recommendations from the second interim visit have been answered in the table at the end of the report.**

### **Final Audit – Summary Finding**

At the final visit we reviewed and performed tests on the following areas:

- Review of annual accounts & AGAR
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

I am of the opinion that the annual accounts and AGAR are ready to be signed off by council and the external auditor and that the AGAR is a true and fair reflection of the financial transaction of that of the council for the year ended 31st March 2019. Accordingly, I have signed off the AGAR.

### **A. BOOKS OF ACCOUNT (INTERIM AUDIT)**

This was tested at the first interim visit. I am of the opinion that the control assertion of “Appropriate accounting records have been properly kept throughout the financial year” has been met.

### **B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT)**

The internal governance and procedures were tested and reported on at the first interim visit.

### **Final Audit**

All Other Payments £3,753,286 (2018: £3,216,275).

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items. I also reviewed the nominal ledger for evidence of netting off and significant journal entries, 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.

Creditors were £581,847 of which

- Trade creditors £220,103- agrees to aged creditors rpt.
- Other creditors £341,566
- Deposits £6,575.
- Income in advance £13,603 – this is rents received in advance

I am 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 & INSURANCE (INTERIM & FINAL AUDIT)

This was also tested at the first interim visit

##### **Final Audit**

We discussed assertion 8 of the AGAR and whether or not this had any impact on the council.

*“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 authority and, where appropriate, have included them in the accounting statements.”*

I am of the opinion that the control objective of “This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.”, has been met

#### D. BUDGET, PRECEPT & RESERVES (INTERIM & FINAL AUDIT)

This was also tested at the second interim visit

##### **Final Audit**

Reserves Carried Forward £2,059,696 (2018: £1,720,399)

In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £1,507,000. I was pleased to see the detailed working and council verification of the reserves working. I am of the opinion that general reserves are reasonable and properly reported on.

All significant variances were explained satisfactorily.

I am of the opinion that the control objective of “The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.”, has been met.

#### E. INCOME (INTERIM & FINAL AUDIT)

This was also tested at the second interim visit

##### **Final Audit**

Precept income £3,014,336 (2018: £1,740,096)

Other income £2,785,585 (2018: £3,688,069)

The precept income was tested to third party evidence and is correctly shown in box 2 of the AGAR.

Other income and other debtors were tested to remittance advice notes, and after date payment, together with a nominal ledger analysis. There is no evidence of netting off, nor were there significant numbers of journal corrections.

At the year-end date the council has £402,674 of debtors. The debtors are further broken down into:

- Stock £7,385
- Sundry Debtors £71,136 – sum related predominantly to the Lower Bemerton Recreation Ground Trust grant contribution of £11k and the Quarter 4 car parking income of £49k.
- Aged Debtors £102,689 – agrees to aged debtors rpt.
- Vat return £201,777 – agrees to return and control accounts
- Prepayments £19,686 – agrees to schedule

The council uses the VAT cash accounting scheme and currently has a VATable income less than the threshold of £1.35m. The VAT debtor was agreed to the VAT return and unpaid and unclaimed VAT on the sales and purchase ledgers.

In total, other income has decreased by £902,484. This sum related predominantly to the reduction in the asset transfer contribution of £908k plus the effects of the Novichok incident of £215k and reduced crematorium income of £30k. This was in part offset by an increase in income from new business of £102k plus a property sale of £150k. This has been reported on the report of significant variances. I am of the opinion that income is properly recorded.

I am of the opinion that the control objective of “Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.”, has been met.

#### F. PETTY CASH (INTERIM AUDIT)

This was tested at the second interim visit. I am of the opinion the control objective of “Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.”, has been met.

#### G. PAYROLL (INTERIM & FINAL AUDIT)

##### Final Audit

Salaries £1,475,783 (2018: £1,548,654)

The amounts shown on the AGAR, were reconcilable to the payroll records, there were no errors.

Monthly and year-end PAYE and NI deductions and returns have been submitted online, on time to HMRC. There were no errors recorded or late payments to HMRC during the financial year under review. The PAYE and NI liability for March 2019 was paid after date.

I am of the opinion that salaries are correctly stated on the AGAR and that the control object of “Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied.”, has been met.

#### H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)

##### Final Audit

Fixed Assets and Investments £18,452,802 (2018: £18,096,081)

Loan Interest & Capital £231,555 (2018: £231,555)

Total Borrowings £1,925,601 (2018: £2,101,528)

The loan interest and capital repayments were agreed to PWLB debt management letters and the closing balance to the end of year statement letter. There were no errors.

The fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR. The asset register was up to date with all relevant assets as at the current financial year end.

I am of the opinion that the control objective of "Asset and investments registers were complete and accurate and properly maintained.", has been met.

#### I. BANK & CASH (INTERIM & FINAL AUDIT)

##### Final Audit

Bank & Cash Balances £2,238,868 (2018: £1,886,111)

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation and also tested the cut off and can confirm the payments and lodgements are shown in the correct year.

The council has three bank accounts, together with petty cash. None of the accounts are long term investments and as such do not need to be disclosed in box 9 of the AGAR.

I am of the opinion that bank and cash balances are properly shown on the AGAR and that the control objective of "Periodic and year-end bank account reconciliations were properly carried out.", has been met.

#### J. YEAR END ACCOUNTS (FINAL AUDIT)

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

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2017/18 AGAR.

The variance analysis is required because there are variances greater than 15% and £500. This has been prepared on a summary table basis.

I am of the opinion the AGAR will be ready for submission to the external auditor within statutory time scales and that the control objective of "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.", has been met.

#### K. TRUSTEESHIP (INTERIM AUDIT)

This was tested at the first interim visit.

#### L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS (FINAL AUDIT)

This new internal control objective is not active for 2018-19 financial year. However, I confirmed with the RFO that arrangements are in place at this Council to ensure proper exercise of public rights. Relevant dates are set out in the table below.

Inspection - Key date	2018-19 Proposed
Accounts approved at full council	17 <sup>th</sup> June



<b>Date Inspection Notice Issued and how published</b>	21 June
<b>Inspection period begins</b>	24 June
<b>Inspection period ends</b>	2 <sup>nd</sup> August
<b>Correct length</b>	yes
<b>Common period included?</b>	yes
<b>Summary of rights document on website?</b>	<b>Attached to inspection announcement</b>

I am satisfied the requirements of this control objective were met for 2017-18, and assertion 4 on the annual governance statement can therefore be signed off by the Council. Plans are also in place to allow for inspection periods to be published and set correctly for 2018-19 accounts – the Council is planning to follow dates suggested by external audit.

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

Kind regards

Yours sincerely

Mark Mulberry

**12<sup>nd</sup> Interim Audit - Points Forward**

Audit Point	Audit Findings	Council comments
VAT	I would suggest the council consider whether VAT opting additional locations/buildings would be advantageous to the council vis-à-vis its partial exemption position and the onward cost and the impact of an extra 20% charge to the local community.	On-going
Property Rental	The manual system is heavily reliant on the user and as a result is inherently weaker. I would recommend that over time the council may want to consider a more robust rental package and one that prevents the manual rekeying and input of data.	On-going
Room/Site Rental	The manual system is heavily reliant on the user and as a result is inherently weaker. We also noted a lack of internal control that can lead to misstatements. I would recommend over time the council may want to consider a bespoke booking package that can be linked to financial accounts, or at the least will raise the sales invoices that can be processed on the financial reporting package.  More controls are required on this system	On-going

**Final Audit - Points Forward**

No further points