



Our Ref: MARK/SAL002

Mr Steve Bishop
Salisbury City Council
The Guildhall
Market Place
Salisbury
Wiltshire, SP1 1JH

4th June 2024

Dear Steve,

Re: Salisbury City Council
Internal Audit Year Ended 31 March 2024 – Year-End Audit report

Executive summary

Following completion of our year-end internal audit on the 4th of June 2024 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 the interim audit reports issued following our interim audit on the 12th of December. 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.

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 Salisbury City 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 2023/24 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 <https://salisburycitycouncil.gov.uk/>

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	TEST AT INTERIM	TEST AT FINAL	PAGE
			3
B	✓	✓	5
C	✓	✓	5
D	✓	✓	5
G	✓	✓	6
H	✓	✓	6
I	✓	✓	7
J	✓	✓	7
K	✓	✓	10
L	✓	✓	10
M	✓	✓	11
		✓	12
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Interim Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
Books of Account	It was noted that a body of filing needs to be completed and I recommend this is undertaken before the task becomes too large.	Completed
GPC	The Council will lose the GPC on Election day in 2025 and will NOT be able to commence any new projects after that date that fall outside the normal powers and duties of a smaller authority.	On-going
Governance	<p>I remind council that councillors are summoned to attend meetings. The agendas on the meeting state councillors are "Required" to attend.</p> <p>The standing orders are based on the NALC model. These were reviewed and readopted in the full council meeting in June 2023. Minute ref 1249. These are to be reviewed in June 2024. However, it is noted the website copy is out of date and needs updating.</p>	<p>Completed</p> <p>On-going</p>
Petty cash	The last reconciliation was October 2023. I recommend this is brought up to date for the year end.	Completed
PAYROLL	<p>I have reviewed the HMRC Gateway account and unfortunately the information showing as submitted to HMRC does NOT agree to the payroll records provided. In addition to this, it was noted that there was an instance of an underpayment and also a credit being carried from month 1 to date. This indicates the physical payment of tax to HMRC does not match the payroll records.</p> <p>This needs to be reconciled & corrected before the year end. As a result of this discrepancy to third party evidence, it is not possible to rely on the financial elements of the wages within the accounts at this time and this assertion has not been met.</p>	On-going – credit still remaining
Fixed Assets	<p>FR 14.4 The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified annually.</p> <p>The council has a fixed asset register which includes details of asset location, cost or proxy cost and replacement values. The register includes columns for additions and deletions during the year to make changes easier to track. However, they have not been populated this year and there is evidence from the cashbook that fixed assets have been purchased during the year.</p> <p>In terms of a working document for facilities management – this document falls short of containing sufficient information. I would recommend that the following as a minimum. I refer council to the JPAG guidance para 5.56 to 5.66 and para 4.21 (H)</p> <ol style="list-style-type: none"> Details regarding the purchase of the asset, date purchased or obtained, name of supplier, invoice number if applicable, cost of the item, A column to show the insurance value of the asset, this will show if the asset is under or over insured or indeed insured at all, together with showing if assets are being insured that are not on the register. A replacement value estimate. This will give an indication as to the level of expenditure required to replace assets so that a determination can be made as to whether an earmarked reserve would be appropriate. 	On-going

	4. Last physically vouched indicator – this would correspond with financial regulation 14.4 that states an annual review should take place.	
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B. FINANCE REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

This authority complied with its Finance Regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

Audit findings

Check that the council's Finance Regulations are being routinely followed.

Further to the testing conducted at the interim audit, I reviewed the March & April council minutes and noted the approval of income and expenditure, bank reconciliations, reserves and other financial matters. I am under no doubt council has the proper opportunity to review and understand financial matters and continues to approve payments in accordance with financial regulations.

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

"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."

The Clerk confirmed that they were not aware of any event having a financial impact that was not included in the accounting statements.

The council risk assessment and policy were reviewed the May 2024 meeting and have been posted to the council website.

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

At the end of the 2023 financial year, the council held circa £793,000 in earmarked reserves and received a further £713,000 in CIL funds, making a total of £1,506,000 in earmarked reserves (EMR).

I was unable to verify the exact nature of the earmarked reserves, but understand the RFO is undertaking an exercise to classify these more descriptively over the coming council year. **For external audit in 2024/25 it will be necessary to show the movements on the earmarked reserves and the timescales for these to be utilised, more detail is required in future in this area. I also recommend the creation of separate nominal codes for each earmarked reserve to better track the movements on reserves.**

The council holds £821,650 in the general reserve. The Joint Panel on Accountability and Governance (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 just below the recommended range.

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 from the accounting software that this includes only salary payments, HMRC payments and pension contributions.

I verified the payroll to the underlying nominal ledger we noted one item of income in advance being misposted to this account and have requested this be moved to a sundry income account. This does not affect the end result – this is just a statutory reallocation adjustment.

The client is having to perform a manual calculation each month to adjust the pension contribution for those employees on maternity pay as the payroll software does not appear to calculate this correctly. **I recommend a call with the software provider to verify this.**

There appears to be a small credit of £158.69 on the HMRC account. **I would suggest setting up a DD with HMRC that way the correct amounts based on the payroll submission are always taken and any credits will also be automatically taken into account.**

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. Assets are correctly stated at historic cost or proxy cost.

The asset register value has increased from £20,031,710 to £20,034,726, being £3,016. The registers show:

- Devaluation of Crematorium £63,547 – this has been reserves at the request of IA as revaluations are not allowed.
- P&E additions of £175,594
- P&M disposals of £131,572
- Inventory assets additions of £26,130
- Inventory assets disposals of £3,589

I remind council it is not allowed to revalue assets until 2024/25 when the audit regime it is in changes.

I reviewed the registers and note that as in previous audits these could do with being upgraded, especially now as the council is moving into a new audit regime. The current format of the registers will not pass the new audit scrutiny. **I recommend a full review of the fixed asset registers prior to March 2025. (I understand from discussion with the RFO that a package has been/will be sourced for this purpose)**

The council has seven Public Works Loan Board (PWLb) loans outstanding – the balances on the AGAR have been proven to third party evidence and PWLB statements.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

FR 2.2 On a regular basis, at least once in each quarter, and at financial year end, the Chair of the Finance and Governance Committee shall verify bank reconciliations produced by the RFO. The Chair shall sign the reconciliations as evidence of verification. Any material discrepancies shall be reported to the Finance and Governance Committee.

I reviewed the March 2024 bank reconciliation for all three accounts showing a total of £2,363,653.81. I was able to confirm the balances to the bank statements and cashbooks. There were no errors. The balances agreed to the end of year AGAR.

I also note that the reconciliations are now correctly signed in accordance with financial regulation 2.2

Due to the size of the council's annual budget, it does not benefit from the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS). The council has instead an adopted investment strategy and policy.

The petty cash floats have been counted and verified and signed off. I am under no doubt the bank and cash balances are properly disclosed and reported on.

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.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	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.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	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.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	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.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	YES – the requirements and timescales for 2022/23 year-end were met
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.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	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.	<i>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.</i>	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.	<i>responded to matters brought to its attention by internal and external audit.</i>	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 authority and. Where appropriate, have included them in the accounting statements.	<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	YES – no matters were raised during the internal audit visits.
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.	<i>has met all its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	YES the council has met its responsibilities

Section 2 – Accounting Statements

AGAR box number		2022/23	2023/24	Internal Auditor notes
1	Balances brought forward	2,292,003	1,982,146	Agrees to 2022/23 carry forward (box 7)
2	Precept or rates and levies	3,502,565	5,152,561	Figure confirmed to central precept record
3	Total other receipts	4,491,897	3,759,768 +7,377	Agrees to underlying accounting records
4	Staff costs	2,069,583	2,831,625 +7,377	Agrees to underlying accounting records. Includes only expenditure allowed as staff costs (see section G)
5	Loan interest/capital repayments	271,984	312,412	Confirmed to PWLB documents
6	All other payments	5,962,752	5,422,788	Agrees to underlying accounting records
7	Balances carried forward	1,982,146	2,327,650	Casts correctly and agrees to balance sheet
8	Total value of cash and short-term investments	2,015,548	2,363,654	Agrees to bank reconciliation for all accounts
9	Total fixed assets plus long-term investments and assets	20,031,710	20,034,726 + 63,547	Matches asset register total and changes from previous year have been traced.
10	Total borrowings	2,658,427	2,427,722	Confirmed to PWLB documents

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

Audit findings

The year-end accounts have been correctly prepared on the income and expenditure basis with a requirement for a box 7 and 8 reconciliation. The differences being attributable to trade debtors, creditors, VAT, receipts and deposits in advance.

I have verified the variance items between boxes 7 & 8 (balance sheet items) to underlying schedules and third party evidence where applicable. The following unadjusted items were noted:

- Potential bad debts of £5k
- Car Park income under accrued £18k
- The VAT control accounts continue to exhibit increasing balances rather than being netted off (usual accounting treatment) at the end of each quarter. The variance between the control account and the return is £11,055, which is not unreasonable when compared to the aged debtors and creditors. **I recommend an exercise is performed to reconcile the control accounts and to monitor this on a quarterly basis.**
- It is likely the accrual for the underpaid national insurance short, due to possible penalties; however, it is not possible to quantify this with any certainty and as such an accrual for this should not be made at this time. HMRC are aware of the error and will review in accordance with their timescales.

The net total of the unadjusted items is not sufficiently material to change the reading of the accounts.

The AGAR correctly casts and cross casts and last year's comparatives match the figures submitted for 2022/23 and published on the council website.

The variance analysis has been completed to explain the variances exceeding 15% where required. **The external auditor will require much greater depth of understanding for the variances between the two years.** The approach the council has taken is the correct approach with narrative and financial elements, but the sum total of these MUST come back to the total variance shown. This was a chief concern the external auditors had in last year and are specifically on the lookout for this.

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 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

At present no specific guidance has been provided to set out what the 'relevant legislation' is in respect of Control Objective L. We have therefore considered the requirements of Statutory Instruments 2015/480 The Local Government (Transparency Requirements) Regulations 2015 [<https://www.legislation.gov.uk/uksi/2015/480/made/data.pdf>] and, 2015/494 The Smaller Authorities (Transparency Requirements). [https://www.legislation.gov.uk/uksi/2015/494/pdfs/uksiem_20150494_en.pdf]

In addition to this, we have considered the additional publication requirements as set out in the ICO Model Publication Scheme for Parish Councils. [<https://ico.org.uk/media/for-organisations/documents/1153/model-publication-scheme.pdf>] & [https://ico.org.uk/media/for-organisations/documents/1266/parish_council_information_guide.doc]

All councils are required to follow The Accounts and Audit Regulations which include the following requirements:

13(1) An authority must publish (which must include publication on that authority's website)

- (a) the Statement of Accounts together with any certificate or opinion entered by the local auditor in accordance with section 20(2) of the Act; and
- (b) the Annual Governance Statement approved in accordance with regulation 6(3)

13(2) Where documents are published under paragraph (1), the authority must

- (a) keep copies of those documents for purchase by any person on payment of a reasonable sum; and
- (b) ensure that those documents remain available for public access for a period of not less than five years beginning with the date on which those documents were first published in accordance with that paragraph.

The council has income and expenditure in excess of £200,000 and as such is required to follow the "Local Government Transparency Code 2015" which is recommend practice not law.

Code requires local authorities in England to publish the following information quarterly:

Expenditure exceeding £500	On the website
Government Procurement Card transactions	On the website
Procurement information	On the website

Additionally, local authorities are required to publish the following information annually:

Local Authority Land	On the website
Social Housing Assets	On the website
Grants to voluntary, community and social enterprise organisations	On the website
Organisational Chart	On the website
Trade union facility time	On the website
Parking account	On the website
Parking spaces	On the website
Senior salaries	On the website
Constitution	On the website

Constitution	On the website
Pay multiple	On the website
Fraud	On the website

The council has model publication scheme published on the website.

I was able to confirm that pages 4 (Annual Governance Statement), 5 (Accounting Statements) and 6 (External Auditor's Report and Certificate) of the AGAR are available for review on the council website for financial years 2018/19 to 2022/23 inclusive.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

The authority has demonstrated that during summer 2023 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Audit findings

Inspection – key dates	2022/23	2023/24 Proposed
Date AGAR signed by council	26 th June	24 th June
Date inspection notice issued	30 th June	26 th June
Inspection period begins	3 rd July	27 th June
Inspection period ends	11 th August	7 th August
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 2022/23, 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 2023/24 meet the statutory requirements.

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 2022/23, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")</i>			✓
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 <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .	✓		
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



Mark Mulberry
Mulberry Local Authority Services Ltd

Year-End Audit - Points Carried Forward

Audit Point	Audit Findings	Council comments
Interim points	Those items marked as on-going – see page 3	
Reserves	I was unable to verify the exact nature of the earmarked reserves, but understand the RFO is undertaking an exercise to classify these more descriptively over the coming council year. For external audit in 2024/25 it will be necessary to show the movements on the earmarked reserves and the timescales for these to be utilised, more detail is required in future in this area. I also recommend the creation of separate nominal codes for each earmarked reserve to better track the movements on reserves.	
Payroll	<p>The client is having to perform a manual calculation each month to adjust the pension contribution for those employees on maternity pay as the payroll software does not appear to calculate this correctly. I recommend a call with the software provider to verify this.</p> <p>There appears to be a small credit of £158.69 on the HMRC account. I would suggest setting up a DD with HMRC that way the correct amounts based on the payroll submission are always taken and any credits will also be automatically taken into account.</p>	
VAT	The VAT control accounts continue to exhibit increasing balances rather than being netted off (usual accounting treatment) at the end of each quarter. The variance between the control account and the return is £11,055, which is not unreasonable when compared to the aged debtors and creditors. I recommend an exercise is performed to reconcile the control accounts and to monitor this on a quarterly basis.	
Variance analysis	The variance analysis has been completed to explain the variances exceeding 15% where required. The external auditor will require much greater depth of understanding for the variances between the two years.	