

SALISBURY CITY COUNCIL

Report

Subject: Internal Auditor's interim report for 2024/25
Committee: Full Council
Date: 13 January 2025
Author: Steve Bishop, Responsible Finance Officer

1. Report Summary

- 1.1. In accordance with good practice, Accounts and Audit Regulations and the Council's own financial regulations, the Council has an arrangement for an independent internal auditor to annually review its internal control arrangements and activities.
- 1.2. The internal auditor carried out an interim audit for 2024/25 last month and submitted his findings in a report, which is presented to Full Council for consideration. The RFO and other officers provide a commentary to aid councillors' understanding of the work needed to address the audit findings.

2. Policy Considerations

- 2.1. Financial Regulation 2.10 requires the RFO to submit audit reports to the next meeting of Full Council. This report discharges that responsibility.

3. Background Information:

The interim audit report

- 3.1. The internal auditor's full interim audit report is provided in **Appendix A** to this report for councillors to read in full.
- 3.2. The direction of travel indicated over the last three internal audit reports is positive and progressive. Councillors may remember that the interim audit report a year ago was after a unsettled period during 2023 without a permanent RFO. The fully staffed Finance team, with support from the Senior Management Team, have now managed to address most of the weaknesses reported by the internal auditor. In his opening comments on the latest report in Appendix A, the internal auditor states:

"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 indeed are a model of good practice."
- 3.3. There are many positive findings and conclusions in the report, where the auditor has confirmed his satisfaction with the effectiveness of specific internal financial controls. However, there are still areas to address. For the sake of brevity, all the auditor's concerns and findings of weakness in the Council's internal financial controls are summarised in the table below, together with commentary by officers on progress made to date.

4 Adverse audit findings and concerns

Final Audit 2023/24 - Points Carried Forward

Audit Point	Audit Findings	RFO comments
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.	Agreed. The RFO demonstrated to the internal auditor our recent activity on separating reserves into earmarked 'pots' and regular reporting to Full Council. The RFO will explore further opportunities to clarify reserves and movements, including nominal codes, with the financial system provider and auditor.
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.	Agreed. The RFO will explore any automated netting-off function in the financial system and discuss options with the system provider. The Finance team will reconcile the VAT control accounts by 31/3/25.

Interim Audit 2024/25 - Points Carried Forward

Audit Point	Audit Findings	RFO comments
Books of Account	I advised it would be prudent to put together a year end file of balance sheet reconciliations, together with such underlying schedules and after date evidence as can be provided to assist with proving the closing balances.	Agreed. A balance sheet reconciliations file will be completed as part of the year-end accounts process.
Financial Regulations	I recommend council consider adoption of the new 2024 NALC model financial regulations. FR 4.1 Note the authorisation levels were most recently reviewed and updated on the 29 th of July 2024 at F&G. The published financial regulations should be updated.	Agreed. The reference to authorisation levels will be amended when Fin Regs are next reviewed in 2025. The 2024 NALC model fin regs will be assessed for suitability at SCC when Fin Regs are next reviewed in 2025.

Purchasing	<p>It is clear the PO system is partially used and as an internal control has little or no function. The PO system needs to be reviewed and tightened which can be part of the wider upgrade of the financial reporting system.</p> <p>The outstanding PO list should be cleansed</p> <p>I recommend a box stamp be used on supplier invoices that will require the population of consistent information.</p>	<p>Agreed.</p> <p>The existing PO system (EDMS) is almost obsolete and inefficient. Subject to funding, officers will replace it with a more modern system as soon as possible.</p> <p>The Finance team will cleanse the outstanding PO list by 31/3/25.</p> <p>The Finance team will assess the usefulness of an invoice stamp.</p>
Risk management	The policy is dated 2019 and should be reviewed.	<p>Agreed.</p> <p>The CEO is due to review risk management and report to Full Council in March 2025.</p>
Reserves	The general reserve balance is very low for a council of this size and not within range and puts the council in danger of being in financial distress.	<p>Agreed.</p> <p>The RFO will continue to advise all councillors of the prudence of increasing general reserve balances as quickly as possible and to incorporate this strategy into the Council's 2025/26 Budget and Medium Term Financial Plan.</p>
Bank reconciliations	Unfortunately there have been no formal reconciliation since April 2024. These must be brought up to date before the year end.	<p>Agreed.</p> <p>The RFO prioritised other duties during the year, but as last year, he will complete all of them before the year-end and complete monthly thereafter.</p>
Fixed assets	The council has a project underway to bring the fixed assets register up to date and has invested in a new digital system (PSS Live) – This will need to be completed prior to 31 st March 2025.	<p>Agreed.</p> <p>This commenced in spring 2024 and will be completed by 31 March 2025.</p>

Key

CEO – Chief Executive Officer (Asa Thorpe)

RFO – Responsible Finance Officer (Steve Bishop)

5 Recommendation:

- 5.1 The Council notes the completion of an interim audit and considers the audit findings.

6 Background Papers:

None.

7 Implications:

- 7.1 . **Financial:** As shown in this report
- 7.2 . **Legal:** Nil in relation to this report
- 7.3 . **Personnel:** Nil in relation to this report
- 7.4 . **Environmental Impact:** Nil in relation to this report
- 7.5 . **Equalities Impact Statement:** Nil in relation to this report



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

9th December 2024

Dear Steve

Re: Salisbury City Council
Internal Audit Year Ended 31 March 2025 – Interim Audit report

Executive summary

Following completion of our interim internal audit on the 9th of December 2024 we enclose our report for your kind attention and presentation to the council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date.

Our report is presented in the same order as the assertions on the internal auditor report within the published Annual Governance and Accountability Return (AGAR). The start of each section details the nature of the assertion to be verified. Testing requirements follow those detailed in the audit plan previously sent to the council, a copy of which is available on request. The report concludes with an opinion as to whether each assertion has been met or not at this point in the year. Some assertions are tested only at the final internal audit, and this is reflected where appropriate in the report. **Recommendations for action are shown in bold text and are summarised in the table at the end of the report.**

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

It is clear the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and indeed are a model of good practice.

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 14 years specialising in local government.

Your auditor is independent from the management of the financial controls and procedures of the council and has no conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Engagement Letter

An engagement letter was previously issued to the council covering the 2024/25 internal audit assignment. Copies of this document are available on request.

Planning and inherent risk assessment

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

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

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A. BOOKS OF ACCOUNT

Internal audit requirement

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

Audit findings

The interim audit was conducted on site with the RFO, together with finance team. Other information was reviewed through discussion and a review of the council website <https://salisburycitycouncil.gov.uk/>

The Council uses the Exchequer accounting package and Excel for recording the council's finances, together with other separate packages for purchase orders and fixed assets and others. These systems are not integrated with the financial reporting package.

The Exchequer system is not an industry specific accounting package, rather a financial reporting package. The system encompasses a cashbook, sales ledger and purchase ledger and it provides for reconciliation of key control accounts. Excel is used to translate the financials for the AGAR and for producing budget and other financial reports for council.

A review of the nominal ledger shows there to be no netting off of income and expenditure and items are posted to the heading to which they relate. There is evidence of journal corrections to the accounts which highlights a form of hierarchical review.

The system is used to produce management information reports for review at council meetings and is updated regularly with financial information. A review of the cashbook shows that the system is being populated with relevant data, such that a casual reader can understand the nature and scope of the transactions. A simple walk through of a receipt and payment chosen at random, proved the underlying documentation could be easily located.

There are four finance users each with their own individual logons. This means there is generally always someone on site who can access the system.

The bank is reconciled monthly by the Finance Officer. The RFO presents comprehensive financial reports, summaries and briefing notes for council and committee.

I tested opening balances as at 1/4/24 showing £747,633.81 and confirmed they could be agreed back to the audited accounts for 2023/24.

The council is VAT registered; the last VAT return was for the three-month period ended 30th September. The reclaim was for £150,880.14. The return was completed on the 7th of November (deadline day) due to additional requirements to adjust for partial exemption. The refund was received on the 13th of November. I noted the VAT nominals were still showing in the millions and discussed this with the RFO and was advised this is still an ongoing issue with the software provider. **The VAT control account will need to be reconciled before year end.**

I discussed the new audit regime with the RFO and specifically the type of adjustments, nature and scope of evidence that will be required by the external auditors when they are appointed. **I advised it would be prudent to put together a year end file of balance sheet reconciliations, together with such underlying schedules and after date evidence as can be provided to assist with proving the closing balances.** It will be necessary to provide detail for all balance sheet items without exception. I also advised the audit will likely start with the balance sheet, with all other items then being income and expenditure or reserves movements. This is contrary to the way audits that have been undertaken in the past.

In addition to this, I advised that certain balance sheet items will now need to be considered for inclusion in the financial accounts package and specifically on the balance sheet where currently they are not disclosed.

- Fixed Assets
- Investments
- Closing stock balances
- Leases & HP
- Bank Loans
- Accruals and Prepayments

The RFO mentioned there is a wider project in place to substantially update the financial recording package and to introduce new systems that are integrated, with a view to reducing human input and to introduce built in system controls and efficiencies in terms of time and cost.

Overall, I have the impression that the accounting systems are well ordered and routinely maintained. I am of the opinion that the council keeps appropriate records and uses the systems for the purpose for which they are intended.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

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

Audit findings

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

The External Auditor's Report was not qualified and is published on the council website together with the notice of conclusion. The 2023/24 AGAR was posted to the council website ahead of the deadline. This was reported to council on the 4th of November 2024 item 18.

Confirm by sample testing that councillors sign statutory office forms

I have confirmed by sample testing that councillors sign "Acceptance of Office" forms. The council website provides a link to details of the individual councillor's Register of Members' Interests forms. An acceptance to receive information by electronic means has also been signed.

Confirm that the council is compliant with GDPR

The council is fully aware of GDPR. It was noted the council does have established common .gov email addresses for all councillors. The .gov address is recommended because it gives a natural segregation between work and personal lives, making it clear beyond doubt in what capacity a councillor is acting. In addition to this it gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide (March 2023) contains updated guidance on the matter as below:

The importance of secure email systems and GOV.UK

- 5.210. All Parish, Town and Community Councils are eligible to use, and are advised to use, a .gov.uk domain for their websites and email communications. Your community, suppliers and partners will now reasonably expect a local council to have a .gov.uk domain name. Note that Parish meetings are exempt from the requirement to have a website.
- 5.211. To assist with compliance with the General Data Protection Regulations (GDPR), it is advised that clerks provide official .gov.uk email accounts to their councillors, which must only be used for official council business.
- 5.212. When choosing a domain name all councils must follow the rules set out by the Cabinet Office to choose a .gov.uk domain name, for example, 'ourparishcouncil.gov.uk' with email addresses linked to that domain.
- 5.213. Using a .gov.uk domain for your council website and email accounts gives Parish Councils the following advantages:
- 5.214. Increased professionalism and trust from members of your community, partners and suppliers because your email address and website domains are a trusted government brand.
- 5.215. Separation of your personal life from your professional life, ensuring members of your community, partners and suppliers understand what capacity you are emailing them in - whether a Councillor or Clerk.
- 5.216. Increased control for the Responsible Officer over email accounts and documentation when managing new joiners, leavers, sudden absences or Freedom of Information and Subject Access Requests.
- 5.217. Peace of mind that your .gov.uk Parish Council domain will never be sold to someone else if it is not renewed on time, which can happen with .co.uk, .org.uk and other commercial domains.
- 5.218. Additional security measures, as all .gov.uk domains are checked for any cyber vulnerabilities by the Cabinet Office and reported to the Responsible Owner, or your technical point of contact, so they can be fixed.
- 5.219. You can read more about the benefits of getting a .gov.uk domain on the GOV.UK website.

The council has a Privacy Notice and Accessibility Statement on its website, and it is clear the council has made every effort to comply with the website requirements.

Confirm that the council meets regularly throughout the year

In addition to full council the council has a range of committees, the terms on conditions will be taken to full council in March 2025.

Check that agendas for meetings are published giving 3 clear days' notice

I was able to confirm that at least 3 clear days' notice is given on agendas. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance.

The ICO has issued guidance regarding agendas, stating that, *"any background documents which are referred to in the agenda or minutes, or were circulated in preparation for the meeting. These are considered part of the agenda."* The Freedom of Information Act 2000 (FOIA).

There is clear evidence the council is posting supporting documents to its website, as outlined by the Information Commissioner's Office (page 3 of this link) ico.org.uk/minutesandagendas.pdf

Check the draft minutes of the last meeting(s) are on the council's website

Minutes are uploaded to the council website.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months

The Standing Orders are based on the current NALC model and were most recently reviewed and adopted by council in February 2024.

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations

Financial Regulations are based on an older NALC model and were last reviewed and adopted by council on the 4th of March 2024, with a review set for March 2025. The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council. **I recommend council consider adoption of the new 2024 NALC model financial regulations.**

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

The current thresholds in place at which authorisations to spend must be obtained are contained in Financial Regulation 4.1. *Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is determined by the Chief Executive Officer and detailed in the Financial Authorisation Limits for Staff. Such authority is as stated in the Minutes of the Policy and Resources Committee** held on 11 July 2016. Contracts may not be disaggregated to avoid controls imposed by these regulations. (** now the Finance and Governance Committee).*

Note the authorisation levels were most recently reviewed and updated on the 29th of July 2024 at F&GP. The published financial regulations should be updated.

Based on the level of financial activity of the council, and through discussion with the RFO the authorisation thresholds appear appropriate for a council of this size.

The council uses a purchase order system called EDMS. All staff have access to the system to raise orders and potentially commit the council to future liabilities. The system prompts for data fields to be populated to denote supplier, cost centre and nominal location. The draft PO should be approved, this is achieved by the originator sending an email to the appropriate line manager to request they log on and approve the PO. This is not an automated function. An automated system would remove the possibility of a PO being raised and not issued for authorisation.

Within the system there is an algorithm to restrict which users can authorise at what level and also what cost centres and nominal codes they can use; however, there is nothing to prevent a "draft PO" being printed and sent to supplier, nor is there any field or flag that says the budget has been verified that would prevent the PO progressing further along the process.

In terms of checking against budget this is the responsibility of the Managers to verbally request from the finance team if budget is available. If an item is likely to be overbudget items are referred back to the RFO. There is a file of virment requests.

Once the PO is “approved” the originator can order the goods and services. The approved PO audit trail shows the dates of each stage. However, as noted above goods and services can be ordered without an approved PO.

Essentially the PO system is a register of purchase orders, either approved or not. Given there is no integration with the financial reporting package there is no automatic matching to purchase invoices. This control has to be completed manually by the finance team. This is time consuming.

The process of ordering goods and services, has to a certain extent been digitised, but it is equally clear that the system is antiquated and not without its internal failings. The current list of unapproved POS dates back to 2017. Clearly there are no POS outstanding from this date, but the implication is that these have not been fully or appropriately matched off. **This list will need to be cleansed before the 31st March.**

A PO system should be designed to ensure there is a control at the start of the process that allows for hierarchical review and that the purchase is made with financial regulations. It goes without saying, that if a purchase is appropriately authorised and controlled at the start of the process, the receipt, matching and payment of the supplier invoice can be an automated process, saving time, money and resource.

It is clear the PO system is partially used and as an internal control has little or no function. The PO system needs to be reviewed and tightened which can be part of the wider upgrade of the financial reporting system.

Supplier invoices, when received, are printed in hard copy and put in departmental folders awaiting authorisation. The department manager will approve and code the invoice by writing on the face of it and return it to finance. Not all invoices are signed and the information on the invoices is not always consistent. **I recommend a box stamp be used that will require the population of consistent information.** Information could be

- PO Number
- Budget checked
- Authorised by (Name & Signature)
- Cost center
- Nominal code
- PIN Code

Returned supplier invoices are posted to the financial reporting package and are filed alphabetically in the awaiting payment folder. Each week a payment report is system generated and the finance team will verify the payment details on the report to the physical invoices and will send a file to the bank.

The bank system produces a report of invoices to pay and this is verified to the financial reporting package report, when both reports match the authorised signatories are emailed to log on and release the payment. Two authorisers are required to authorise and the bank retains an audit trail. The RFO is in charge of admin rights on HSBC net.

Once paid system generates unique PIN number and the invoice is filed in this order.

The system for paying supplier invoices is robust and the dual authorisation required by the bank adds a level of hierarchical control.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £10.81 per elector

The council currently has the General Power of Competence (GPC) and Section 137 expenditure is within thresholds. However, care will be needed after the next election if the councils loses the GPC as no new GPC projects will be able to commence.

Confirm that checks of the accounts are made by a councillor

The system noted above details internal review takes place, I am under no doubt that council properly approves expenditure.

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

The council has a risk assessment policy in place. This contains risks broken down by category, the specific risk is identified, an assessment of the likelihood, and severity of the risk occurring and the control measures in place. **However this is dated 2019 and should be reviewed.**

I confirmed that the council has a valid long term insurance policy in place with Aviva which expires in October 2027. The policy includes Public Liability of £10 million and Employers Liability cover of £10 million and a Fidelity Guarantee of £1,000,000 which is sufficient for a council of this size.

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

The council approved the 2024/25 budget and precept on the 22nd January 2024, minute ref 1322. The precept requirement was set at £5,642,672. This has been agreed to the nominal ledger.

The Clerk confirmed that the 2025/26 budget setting process is underway with all deadlines achievable. The draft budget shows a % increase year on year with a surplus position. The process the council has in place is robust and allows for council discussion at all stages. The calculations and assumptions are fact based and clearly presented and are a model of best practice.

The council regularly reports income and expenditure against budget. The latest outturn predicts a small surplus of up to £15k for the year ended 31st March 2025. This would give the council circa £2.3m in total reserves; a similar position to the 2024 year-end. At the date of the interim internal audit, the council held £1.9m in earmarked reserves for a range of projects. The council also held circa £400k 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 financial regulations 3.6 states two months of gross expenditure shall be retained.

The general reserve balance is very low for a council of this size and not within range and puts the council in danger of being in financial distress. Council is fully aware that capital monies (s106, CIL) can only be used for capital purposes and not day to day expenditure.

E. INCOME**Internal audit requirement**

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Audit findings

The council receives income from multiple sources, there is clear evidence of fees and charges being discussed and agreed at council.

The system properly accounts for VAT.

From a review of the accounting records, income appears to be recorded with sufficient narrative detail to identify the source and allocated to the most appropriate nominal code.

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 has reconcilable petty cash floats that are regularly reviewed and reconciled.

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

The council HR department processes payroll in house, using a computer package. Councillor allowances are paid via the payroll. The finance department is responsible for the physical payment of taxes, wages and posting journals to the finance package. The council has fulfilled its obligations in respect of auto-enrolment.

All council employees are paid through the payroll for all council work undertaken. No employees are paid separately for any other council work undertaken.

I have reviewed the HMRC Gateway account and can confirm the council has no outstanding liabilities.

H. ASSETS AND INVESTMENTS**Internal audit requirement**

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

Audit findings

The council has a project underway to bring the fixed assets register up to date and has invested in a new digital system (PSS Live) – once completed this will be a thorough and complete record of council assets – but it is clear this still requires some work to get all assets listed. **This will need to be completed prior to 31st March 2025.**

I. BANK AND CASH

Internal audit requirement

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

Audit findings

FR2.2 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.

Unfortunately there have been no formal reconciliation since April 2024. These must be brought up to date before the year end.

As the council's budget does exceeds €500,000, it does not benefit from protection from the Financial Services Compensation Scheme (FSCS).

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 2023/24 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	<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.

	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.	<i>has met all its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	N/A – the council has no obligations

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 & expenditure basis with a box 7 & 8 reconciliation properly completed. The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the prior year.

K. LIMITED ASSURANCE REVIEW

Internal audit requirement

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”)

Audit findings

The council did not certify itself exempt in 2023/24 due to exceeding the income and expenditure limits and this test does not apply.

L: PUBLICATION OF INFORMATION**Internal audit requirement**

The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation

Audit findings

The council is required to follow the requirements of the Freedom of Information ACT and the ICO Model Publication Scheme. In addition to this, (as best practice) it can follow the requirements of the Transparency Code – but this does not have the weight of law.

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.

We have 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

The council has a Model Publication Policy and Freedom of Information Act Policy both of which are posted to the council website. In addition to this, the council follows the Transparency Code 2015.

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 2019/20 to 2023/24 inclusive.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS**Internal audit requirement**

The authority has demonstrated that during summer 2024 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Audit findings

Inspection – key dates	2023/24 Actual
Date AGAR signed by council	24 th June
Date inspection notice issued	26 th June
Inspection period begins	27 th June
Inspection period ends	7 th August
Correct length (30 working days)	Yes
Common period included (first 10 working days of July)	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.

N: PUBLICATION REQUIREMENTS**Internal audit requirement**

The authority has complied with the publication requirements for 2023/24. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2024 authorities must publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited
- Section 1 - Annual Governance Statement 2023/24, approved and signed, page 4
- Section 2 - Accounting Statements 2023/24, approved and signed, page 5

Not later than 30 September 2024 authorities must publish:

- Notice of conclusion of audit
- Section 3 - External Auditor Report and Certificate
- Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

Audit findings

I was able to confirm that the Notice of Public Rights is published on the council website along with the Notice of Conclusion of audit and External Auditor Report and I was able to confirm that the publication requirements for 2023/24 have been met.

O. TRUSTEESHIP**Internal audit requirement**

Trust funds (including charitable) – The council met its responsibilities as a trustee.

Audit findings

The council has no trusts.

Achievement of control assertions at interim audit date

Based on the tests conducted during the interim audit, our conclusions on the achievement of the internal control objectives are summarised in the table below. A further review and update of this opinion will be conducted at the final audit.

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the financial year	✓		
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	✓		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	✓		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	✓		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for			✓ None
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. <i>(If the authority had a limited assurance review of its 2023/24 AGAR tick "not covered")</i>			✓ N/a
L	The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation	✓		
M	The authority, during the previous year (2023-24) 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 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



Mark Mulberry

Mulberry Local Authority Services Ltd

Final Audit 2023/24 - Points Carried Forward

Audit Point	Audit Findings	Council comments
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.	On-going
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.	On-going

Interim Audit 2024/25 - Points Carried Forward

Audit Point	Audit Findings	Council comments
Books of Account	I advised it would be prudent to put together a year end file of balance sheet reconciliations, together with such underlying schedules and after date evidence as can be provided to assist with proving the closing balances.	
Financial Regulations	I recommend council consider adoption of the new 2024 NALC model financial regulations. FR 4.1 Note the authorisation levels were most recently reviewed and updated on the 29 th of July 2024 at F&GP. The published financial regulations should be updated.	
Purchasing	It is clear the PO system is partially used and as an internal control has little or no function. The PO system needs to be reviewed and tightened which can be part of the wider upgrade of the financial reporting system. The outstanding PO list should be cleansed I recommend a box stamp be used on supplier invoices that will require the population of consistent information.	
Risk management	The policy is dated 2019 and should be reviewed.	
Reserves	The general reserve balance is very low for a council of this size and not within range and puts the council in danger of being in financial distress.	
Bank reconciliations	Unfortunately there have been no formal reconciliation since April 2024. These must be brought up to date before the year end.	
Fixed assets	The council has a project underway to bring the fixed assets register up to date and has invested in a new digital system (PSS Live) – This will need to be completed prior to 31 st March 2025.	