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Our Ref: MARK/SAL002

Mrs E Sherry
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Date 27th May 20201

Dear Estelle

Re: Salisbury City Council
Internal Audit Year Ended 31st March 2021

Executive Summary

Following completion of our interim internal audit on the 19th November and our final audit on the 27th May 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. **Testing requirements are shown in Red** and where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

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, followed by recommended minimum testing requirements. Each section is then concluded with an opinion as to whether the assertion has been met or not.

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor, 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 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 for her assistance and obvious hard work during the year. It is therefore our opinion that the systems and internal procedures at Salisbury City Council are well established, and followed and that the AGAR will be ready for submission to the external auditor.

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 & Competence

Your audit was conducted by Mark Mulberry of Mulberry & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor is a qualified practicing accountant with over 20 years’ experience as a registered statutory auditor.

Engagement Letter

An engagement letter was issued on the 1st September 2020 covering the 2020/21 internal audit assignment. Copies of this document are available on request.

Planning & Inherent Risk Assessment

The scope and plan of works including fee structure was issued to the council on the 1st September 2020 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.

- There have been no instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is my 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.

Contents

A. BOOKS OF ACCOUNT (INTERIM AUDIT).....	4
B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT).....	6
C. RISK MANAGEMENT & INSURANCE (INTERIM AUDIT)	10
D. BUDGET, PRECEPT & RESERVES (INTERIM & FINAL AUDIT)	11
E. INCOME (INTERIM & FINAL AUDIT)	12
F. PETTY CASH (INTERIM AUDIT).....	14
G. PAYROLL (INTERIM & FINAL AUDIT)	15
H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)	16
I. BANK & CASH (INTERIM & FINAL AUDIT).....	18
J. YEAR END ACCOUNTS (FINAL AUDIT)	19
K. LIMITED ASSURANCE REVIEW (INTERIM & FINAL AUDIT)	22
L: TRANSPARENCY (INTERIM & FINAL AUDIT)	22
M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS	22
N. PUBLICATION REQUIREMENTS (INTERIM & FINAL AUDIT)	24
O. TRUSTEESHIP (INTERIM AUDIT)	24

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

Internal audit requirement

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

Recommended Minimum Testing

- Ensure the correct roll forward of the prior year cashbook balances to the new financial year
- Check a sample of financial transactions in cashbooks to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained

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 to record the transactions of that of the council and a review of the cashbook shows that all data fields are being populated and that the details are such that a reader of the accounts can gain an understanding of the nature and scope of the transactions.

During the year under review the council undertook an exercise to restructure the finance team to provide increased capacity. There are four members in the finance team, the RFO and 3 senior finance / finance officers. Each user logs on with their own individual logon. 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 / Finance Officers (3 - part time roles); journals, credit control, bank reconciliation, payment runs, sales and purchase ledger, credit control, banking bank reconciliation

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 items of expenditure as shown in the table below; with assistance I was able to verify to the underlying hard copy documentation. The hard copy documentation was appropriately annotated and 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.

Company Name	Invoice Date	REF	Invoice number	Value £	Notes
Andrea Pellegram Ltd	30/04/2020	PIN028630	320	£2,786.54	Agrees to invoice & Payment request
Blue Frontier IT Ltd	01/04/2020	PIN028537	BA13178	£4,070.00	Blue Frontier Inc. 2-year contractual agreement - Agrees to invoice & SLA

Facultatieve Technologies	30/04/2020	PIN028713	20101864	£16,469.66	(note: 10 yr. service agreement) - Agrees to invoice & Payment request
Jones Lang SC	20/05/2020	PIN028858	00022-202015610	£17,315.0	(note: quarterly rental payment for grounds deport) - Agrees to invoice
Parish Online by Geosphere Ltd	13/05/2020	PIN028692	00HY261-0002	£600.00	(note: annual software licence for digital mapping software) - Agrees to invoice
Salisbury & South Wiltshire Museum	07/04/2020	PIN028508	2020/21 GRANT	£16,000.00	(year 2 of award) - Agrees to documentation
Visit Wiltshire Limited	01/06/2020	PIN028956	10482	£775.00	(note: renewal of Gold Partner subscription) - Agrees to invoice
Venture Security Management Ltd	31/08/2020	PIN029325	9427	£6,096.64	(note: contractual monthly payment) - Agrees to invoice
Signs In Motion Ltd	16/07/2020	PIN029028	18105	£11,150.00	Agrees to invoice
Richmond Event Management Ltd	16/07/2020	PIN029025	75491	£5,512.50	Agrees to invoice

With the assistance of the Finance manager, I tested opening balances as at 1/4/20 and confirmed they could be agreed back to the audited accounts for 2019/20, which showed £1,861,912.03 of combined bank and cash balances.

I confirmed that the Council's VAT returns are up to date, with the VAT return for the September quarter submitted on the 19/10/20. This showed a refund due of £143,648.53. The council's software is VAT MTD compliant.

Overall, I have the impression that the accounting systems are well ordered, routinely maintained, contain a good level of duties segregation, and that there are sufficient internal controls to reduce the inherent risk of error misstatement to a low level. I feel the internal controls of the council can be relied upon and I make no recommendation to change.

Section Conclusion

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)

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.

Recommended Minimum Testing

- Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version.
- Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents)
- Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation
- Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments
- Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements
- Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place

Interim Audit

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

The external auditors report was not qualified in 2019/20 and the notice of conclusion of audit has been publically displayed. The auditor was provided with email evidence of the announcement being made in the chairman's announcements in October 2020. The auditor was also provided with email evidence of the information that has been posted to the council's website in respect of the completed AGAR.

Confirm by sample testing that councillors sign statutory office forms

There have been no changes to councillors in the period April to date, I confirmed last year by sample testing that Councillors sign "Acceptance of Office" forms and a register of members interests, in line with regulations.

Confirm that the Council meets regularly throughout the year

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

- Full Council; 6 times per annum
- Finance & Governance – 3 times per annum
- Services – 5 times per annum
- Planning – 4 weekly
- Personnel – as and when

I verified with the finance manager that the committees have a scheme of delegation and terms of reference these are contained in the councils standing orders.

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.

Confirm that the Council is compliant with the relevant transparency code.

The Council is required by law to follow the 2015 Transparency Code and a review of the web site shows the code is being robustly followed with a dedicated page set aside for this, and I was able to follow links to all the required information.

Check that agendas and draft minutes for meetings are published with agendas giving 3 clear days' notice

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. It is noted that the non-confidential supporting documentation referred to in the agendas is included on the website in accordance with ICO requirements. We tested the FC June 2020 minutes to the signed hard copies and confirm minutes are properly signed.

Confirm that the Council is compliant with the GDPR.

The council is fully aware of GDPR and has undergone training. It was noted the council has established common email addresses for all councillors. This 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 council has a privacy & accessibility statement linked on its web site home page. It is clear the council takes its responsibilities seriously and has made every effort to comply with the legislation.

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

The standing orders are based on the NALC model, with local additions made appropriate to the set up and running of the City Council. They were last reviewed and updated by council in September 2020 to ensure alignment with the council's adopted Scheme of Delegation.

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

Financial regulations are based on the NALC model. They were last reviewed and adopted by council in March 2020. The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council. **Final audit update:** Financial regulations were taken again to council in January 2021.

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

Financial regulation 2.2 deals with bank reconciliations: *"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 and the original bank statements as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the Finance and Governance Committee."*

The council is performing a monthly bank reconciliation for all accounts, but due the current pandemic signatures have not been obtained yet. On the 23/11/20 the finance manager emailed the Chair of Finance & Governance to obtain signatures and confirmation of internal review of the April to September reconciliations.

Financial regulation 4 deals with budgetary control and authority to spend: *"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 City Clerk, 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)."*

Financial regulation 5 deals with banking arrangements and authorisation of payments: *"The RFO shall have delegated authority to prepare a schedule of payments, together with the relevant invoices, in respect of all authorised items of expenditure. All payments shall require dual authorisation undertaken by the City Clerk and RFO, and in the absence of one, a designated Member approved by Full Council."*

Financial regulation 6 deals with Instructions for the making of payments: *“The RFO shall have delegated authority to process payments in respect of all authorised items of expenditure as and when, and on a timely basis, to ensure that all invoices are paid in accordance with terms as far as is practicable.*

Where internet banking arrangements are made with any bank, the RFO and the City Clerk shall be appointed as Systems Administrators. The bank mandate approved by Full Council shall clearly state the officers and members authorised to approve transactions, and the value of those transactions”

The de-minimis limits recorded in the Financial Regulations 11 for the competitive purchase of items and services is as listed below.

- £50,000 + Tender Process
- £10,000 - £50,000 3 quotations are required.
- £500 - £10,000 – strive to get 3 estimates
- 0 - £500 – power to spend
-

There have been no changes to the purchase system since last year. 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. **Final audit update:** The pandemic has necessitated a change in the process with all invoices now being coded and signed by the RFO.

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.

The council can make payments by cheque, direct debit and bacs. Cheques must be signed by RFO and Clerk [generally cheques are only used for petty cash re-imburement], 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.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.12 per elector.

The council has no S.137 expenditure, because they have the power GPC. I confirmed that the council was still eligible to claim this and verified the re confirmation from 2017.

Confirm that checks of the accounts are made by a councillor.

The Finance committee receive extremely comprehensive reports on all aspects of the council’s finances, including management accounts, balance sheets, reports on variances from budget, and investment reports. The management information made available to councillors enables them to make informed decisions on the council’s finances.

Final Audit

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one off expenditure items. We found no evidence of breaches of financial regulations in the sample testing completed.

Creditors were £997,931 of which

- Trade creditors £207,870 - agrees to aged creditors rpt.
- Other creditors £278,768 - agrees to underlying records
- PAYE £26,213 – agrees to after date payment
- Deposits £8,468
- Receipts in advance £476,610

Section Conclusion

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 AUDIT)

Internal audit requirement

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Recommended Minimum Testing

- Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc
- Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security
- Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation

The council has a detailed 2020-21 excel based risk register [doc77644]. The individual risk assessments are prepared in a tabular format they are easy to read and include indicators to how severity and likelihood of occurrence.

The council has as published risk management policy and undertakes a full risk assessment that covers operational and financial risks. These documents are in accordance with financial regulations.

The council has a detailed written process for payroll. I would recommend that the council perhaps consider documenting its internal processes in the event of loss of a key a member staff.

The council has published on its website extensive risk assessments in respect of Covid 19.

I have confirmed that the Council has a valid insurance certificate with WPS/RSA. The Council reviews its insurance requirements as part of the renewal process. Asset cover appears adequate and the fidelity Insurance of £1m equates to circa 50% of the average funds held throughout the year across all bank accounts and almost equal to that held in the current account at any one time.

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."

Section Conclusion

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)

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.

Recommended Minimum Testing

- Ensure that the full Authority, not a Committee, has considered, approved and adopted the annual precept in accordance with the required parent Authority timetable
- Ensure that budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances
- Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances
- Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process
- Ensure that the precept in the accounts matches the submission form to the relevant authority and the public record of precepted amounts

Interim Audit

The 2021-22 budget and precept setting process is underway, but again due to pandemic restrictions the process is being amended to facilitate a greater degree of electronic communication and dialogue.

I have confirmed that in accordance with Financial Regulations, regular reporting of budget against expenditure is carried out and reviewed in detail at Committee meetings. A review of the minutes shows that the impact of Covid-19 and the effect on the council's overall financial position have been reported in detail.

The council has an adopted an Investment Strategy. The council also holds a number of clearly identifiable earmarked reserves for specific projects. The balance of these earmarked reserves is projected to be just over £540,000.

Final Audit

The council has £1,676,973 of reserves of which £549,698 are earmarked reserves and £1,127,275 are general reserves. 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 £1,530,000. 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 to budget were explained satisfactorily.

There is clear and unambiguous minuting of full council approving the budget and precept amount in its January 2021 meeting [minute ref 1026]

Section Conclusion

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)

Internal audit requirement

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

Recommended Minimum Testing

- Review "Aged debtor" listings to ensure appropriate follow up action is in place
- Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.
- Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates)
- Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised
- Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time
- Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income
- Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked

Apart from the precept, the council has varied income streams, including allotments, burial fees, room hires, sports pitch income, investment income and grants. A review of the nominal ledger report presented for the interim audit showed no evidence of netting-off of income, and I am confident income is being accurately reported.

The Covid-19 pandemic has impacted on the council's finances, with reductions some income streams and additional unplanned expenditure to support the community during the lockdown restrictions. After investigation with the Finance manager, it was clear that the Council was not able to make use of the furlough scheme; SCC received no financial support with the exception of £7,000 awarded by Wiltshire Council as a discretionary grant from grants provided to the Unitary by Central Government for supporting lower level councils. **Final audit update:** The council has also been in receipt of additional grants totalling circa £26k for the Guildhall and info centre.

A review of council and committee minutes show the council's position has been regularly updated through the financial reports.

- Precept (circa 55% of all income)
- Markets and fairs
- Allotments and other grounds
- Retail and residential property rentals
- Burial and cremations
- Retail sales
- Bank interest

The council last reviewed its annual charges in January 2020. Audit testing showed that fees charged per the sales ledger agree to the annual charges sheet or lease documentation as appropriate.

Bad & aged debts are monitored on a monthly basis, statements are issued using the finance package and a report is made to council/committee. At the audit date the finance manager confirmed there were circa £2k of aged debts over 4 months. This is not significant and represents less than 2% of the entire ledger.

Cash receipt and invoicing are in the main dealt with by separate individuals. There is segregation of duties in the system. Further testing on the event income audit trail will be undertaken at the year end.

Final Audit

The precept income was tested to third party evidence supplied to the auditor and this has been correctly shown in box 2 of the AGAR with all other income in box 3. There were no errors.

I have reviewed the income list which is broadly similar to the prior year after accounting for one off income items. We found no evidence of breaches of financial regulations in the sample testing completed.

At the year-end date the council has £425,108 of debtors:

- stock £8,727 – stock take as at 31-03-21
- sundry debtors £33,786
- Sales Ledger £241,401 – agrees to aged debtors rpt.
- VAT £134,199 – received after date
- Payments in advance. £6,994 – technically owed by the mayor to the council- offsets Mayors fund.

Section Conclusion

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)

Internal audit requirement

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

Recommended Minimum Testing

- A number of Authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a "Not applicable" response is frequently required in this area.
- Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc)
- Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held
- Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held
- Ensure that VAT is identified wherever incurred and appropriate
- Physically check the petty cash and other cash floats held
- Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till "Z" total readings

At the audit date the council has a float of £685 of which £200 was in office petty cash. This could be reconciled to the monthly by month listings. It is clear this is used for small sundries and is not significant or material.

Final audit update: The petty cash float was £690.

Section Conclusion

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)

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.

Recommended Minimum Testing

- Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract
- Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability
- Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours
- Ensure that appropriate tax codes are being applied to each employee
- Where free or paid for software is used, ensure that it is up to date.
- For the test sample of employees, ensure that tax is calculated appropriately
- Check the correct treatment of Pension contributions to either the Local Government pension scheme (non - taxable, deducted from the gross salary or DC schemes like NEST which already allow for tax deductions
- For NI, ensure that the correct deduction and employer's contributions are applied: NB. The employers allowance is not available to councils but may be used by other authorities
- Ensure that the correct employers' pension percentage contribution is being applied
- Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies

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.

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.

Using month 4 and month 5 payroll I was able to verify the tax deductions were correct.

Final Audit

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 2021 was paid after date.

Section Conclusion

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)

Internal audit requirement

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

Recommended Minimum Testing

Tangible Fixed Assets

- Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets
- Physically verifying the existence and condition of high value, high risk assets may be appropriate
- Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement
- Additions and disposals records should allow tracking from the prior year to the current
- Ensure that the asset value to be reported in the AGAR at Section 2, Box 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and /or disposals
- Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or "self-insured" by the Authority

Fixed asset investments

- Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the "Investment Strategy" and reported as Assets in the AGAR at Section 2, Box 9.

Borrowing and Lending

- Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired
- Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt
- Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at Section 2 Box 5
- Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the AGAR at Section 2, Box 10 (value should be verified via the DMO website)
- Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt

Interim Audit

The Council has a simple excel based fixed asset register in place. Assets are correctly stated at historic or proxy cost. There is no evidence of any revaluations. The fixed asset register agrees to the 2020 AGAR. The asset register was up to date with all relevant assets as at the current financial period end.

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 Council does not hold any long term investments i.e. over 1 year. Any addition to the asset register is normally with a cost value greater than £1,000.

Final Audit

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 council has the following loans outstanding as at the audit date.

Valuation Date	Borrower Name	Loan Number	Advance Date	Maturity Date	Previous Payment Date	Next Payment Date	Principal Balance Outstanding (£)	Loan Rate (%)	Discount Rate (%)	Amount Due Not Yet Paid (£)	Year End Value (£)
31-Mar-2021	SALISBURY CITY COUNCIL (WILTSHIRE)	PW502161	15-May-2013	25-Mar-2028	25-Mar-2021	25-Sep-2021	257,472.20	2.6	0.09	0	282,327.94
31-Mar-2021	SALISBURY CITY COUNCIL (WILTSHIRE)	PW502405	13-Jun-2013	25-Mar-2028	25-Mar-2021	25-Sep-2021	260,964.69	2.98	0.09	0	290,085.16
31-Mar-2021	SALISBURY CITY COUNCIL (WILTSHIRE)	PW502464	08-Aug-2013	25-Mar-2028	25-Mar-2021	25-Sep-2021	247,546.11	3.24	0.09	0	277,734.60
31-Mar-2021	SALISBURY CITY COUNCIL (WILTSHIRE)	PW504469	16-Dec-2015	28-Jun-2030	28-Dec-2020	28-Jun-2021	406,947.19	2.65	0.24	0	457,775.55
31-Mar-2021	SALISBURY CITY COUNCIL (WILTSHIRE)	PW504468	11-Jan-2016	11-Jan-2026	11-Jan-2021	11-Jul-2021	174,138.49	2.23	-0.01	0	185,048.99
31-Mar-2021	SALISBURY CITY COUNCIL (WILTSHIRE)	PW504613	17-Mar-2016	17-Mar-2031	17-Mar-2021	17-Sep-2021	212,227.72	2.37	0.26	0	236,402.05
							1,559,296.40				

The Council does not hold any long term investments i.e. over 1 year. Any addition to the asset register is normally with a cost value greater than £1,000.

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.

Section Conclusion

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)

Internal audit requirement

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

Recommended Minimum Testing

- Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members
- Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, Section 2, Box 8.
- Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.

Interim Audit

I tested the July, August & September 2020 bank reconciliations for the main HSBC bank account reviewing the outstanding cheques, bank statement and financial package balances. All reconciliations were logically and clearly presented and there were no errors or misstatements.

The council has three active 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.

Final Audit

At the year-end date the council had a reconciled bank position which has been signed in accordance with financial regulations and will be reported to Full council in June 2021.

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.

Section Conclusion

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)

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.

Recommended Minimum Testing

- Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein
- Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end

The council, at its meeting to sign off the year-end accounts, must discuss the Annual Governance Statement and record this activity in the minutes of the meeting. Based on the internal audit finding, I recommend using the table below as the basis for that discussion. THIS MUST BE A SEPARATE AGENDA ITEM TO THE SIGNING OF THE ANNUAL ACCOUNTS.

Section 1 – Annual Governance Statement

	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 – income & expenditure 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 is experienced and 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 2019/20 year-end were followed.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<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 has completed two audits during the year.
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 – where matters are raised, action taken by council is recorded in the minutes.
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 of 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		2019/20	2020/21	Auditor Notes
1	Balances brought forward	2,059,696	1,724,570	Agrees to 2020 cfwd
2	Precept or Rates and Levies	3,016,222	3,064,133	Agrees to third party evidence provided to auditor
3	Total other receipts	2,689,311	2,087,378	Agrees to underlying records
4	Staff costs	1,657,953	1,663,647	Agrees to underlying records
5	Loan interest/capital repayments	231,555	231,555	reconciles to third party evidence provided to auditor
6	All other Payments	4,151,151	3,303,905 3,303,906	Agrees to underlying records – adjusted for £1 rounding
7	Balances carried forward	1,724,570	1,676,973	Cast correctly
8	Total value of cash and short term investments	1,861,912	2,249,796	Agrees to reconciliation
9	Total fixed assets plus long term investments and assets	18,759,899	18,800,348	Agrees to register movement reconciles
10	Total borrowings	1,744,901	1,559,296	Agreed to third party evidence provided to auditor
11	For Local Councils Only) Disclosure note re Trust funds (including charitable)	YES ✓	NO	Yes the council has met its responsibilities

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 2019/20 AGAR.

The variance analysis was required because there were variances greater than 15% and £200. This was properly prepared on a summary table basis showing the financial elements and explanatory narrative.

The council had made provision within its schedule of meetings to sign off the annual governance statement.

Section Conclusion

I am of the opinion 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. LIMITED ASSURANCE REVIEW (INTERIM & FINAL AUDIT)**Internal audit requirement**

IF the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")

Not applicable

L: TRANSPARENCY (INTERIM & FINAL AUDIT)**Internal audit requirement**

If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/ webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.

Not applicable

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

The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).

Recommended Minimum Testing

- IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.
- IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

Due to the Covid 19 outbreak during the 2020/21, the statutory deadlines had been changed for the 2019/20 AGAR as follows:

The publication date for final, audited, accounts was moved from the 30 September to 30 November 2020 for all local authority bodies. To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of July was removed. Instead, local authorities must have commenced the public inspection period on or before the first working day of September 2020.

This meant that draft accounts must have been approved by 31 August 2020 at the latest.

Authorities must publish the dates of their public inspection period, and given the removal of the common inspection period and extension of the overall deadlines for this year, it is recommended that all authorities provide public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2019/20 accounts.

The regulations (SI 2020/404 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020) implementing these measures were laid on 7 April 2020 and came into force on 30 April 2020.

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.

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require that the statement of accounts prepared by the authority (i.e. the Annual Governance & Accountability Return (AGAR) Part 2), the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records must be made available for inspection by any person interested, during a period of 30 working days set by the smaller authority and including the first 10 working days of July.

Inspection - Key date	2019-20	2020-21
Accounts approved at full council	29/06	14 th June
Date Inspection Notice Issued and how published	03/07	29 th June
Inspection period begins	06/07	1 July
Inspection period ends	14/08	11 August
Correct length	yes	yes
Common period included?	N/A	yes
Summary of rights document on website?	Attached to inspection announcement	Attached to inspection announcement

Section Conclusion

I am of the opinion that the control assertion of *“The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set):”* has been met.

N. PUBLICATION REQUIREMENTS (INTERIM & FINAL AUDIT)

Internal audit requirement

The authority has complied with the publication requirements for 2019/20 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:

Recommended Minimum Testing

- IAs should acquire / examine a copy of the required "Public Notice" ensuring that it clearly identifies the statutory 30 working day period when the Authority's records are available for public inspection.
- IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

Before 1 July 2021 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 2020/21, approved and signed, page 4*
- *Section 2 - Accounting Statements 2020/21, approved and signed, page 5*

Not later than 30 September 2021 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.

I have reviewed the council website and am under no doubt that the council properly published information within statutory timescales.

Section Conclusion

I am of the opinion that the control assertion of "*The authority has complied with the publication requirements for 2019/20 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website/webpage:*" has been met.

O. TRUSTEESHIP (INTERIM AUDIT)

Internal audit requirement

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

Recommended Minimum Testing

- Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements
- that the council is the sole trustee on the Charity Commission register
- that the council is acting in accordance with the Trust deed
- that the Charity meetings and accounts recorded separately from those of the council
- review the level and activity of the charity and where a risk based approach suggests such, review the Independent Examiners report

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

Final audit update: The council resolved in January 2021 to dissolve the following three charities

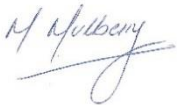
1. 1000271 – Harnham Recreation Ground
2. 266726 – Victoria Park & Recreation Ground
3. 280212 – Hudsons Field Open Space

Section Conclusion

I am of the opinion that the control assertion of “Trust funds (including charitable) – The council met its responsibilities as a trustee” has been met.

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

Kind regards
Yours sincerely



Mark Mulberry