SALISBURY CITY COUNCIL

Report

Subject: Internal Auditor's interim report for 2025/26
Committee: Finance Committee
Date: 24 November 2025
Author: Steve Bishop, Responsible Finance Officer

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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 2025/26 in September and submitted his findings in a report, which is presented to the Committee for consideration, together with a detailed officer commentary which addresses the audit findings.

2. **Policy Considerations**

2.1. Full Council considered the report at its meeting earlier this month and resolved that henceforth this Committee should consider all audit reports. Copies of every audit report will continue to be provided to all councillors in accordance with Financial Regulation 2.10 and any comments or observations will be directed to this Committee for consideration.

2.2. Full Council meeting agenda are often full and do not always provide adequate time to consider detailed audit recommendations. The Finance Committee provides a more effective forum for a fuller consideration of each audit point. This report discharges that responsibility, whilst still encouraging all councillors to contribute.

3. **Background Information:**

<u>The interim audit report</u>

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 four internal audit reports is positive and progressive. Councillors may remember that the interim audit report a year ago was very damning after a very 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 major weaknesses reported previously by the internal auditor. Indeed, 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 whilst my report may contain recommendations to change, these are not indicative of any significant findings, but rather are pointers to improving upon an already well-ordered system…It is therefore our opinion that the systems and procedures at Salisbury City Council 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	Officer 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.**	The RFO will explore further opportunities to clarify reserves and movements, including nominal codes, with the financial system provider and auditor – still not achieved. System limitations have delayed this task, which the RFO will take up with recently appointed Exchequer consultant to resolve by 31 March 2026.
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.**	The RFO will explore any automated netting-off function in the financial system and discuss options with the system provider – still not achieved due to system limitations. The RFO will take up with recently appointed Exchequer consultant to resolve by 31 March 2026.

Interim Audit 2024/25 - Points Carried Forward

Audit Point	Audit Findings	Officer 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.	A balance sheet reconciliations file will be completed as part of the year-end accounts process – not achieved for 31 March 2025. The RFO will endeavour to complete for 31 March 2026 closedown.
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 29th of July 2024 at F&G. The published financial regulations should be updated.	The 2024 NALC model fin regs will be assessed for suitability at SCC when Fin Regs are next reviewed in 2025/26 – scheduled for February 2026 Finance Committee meeting.
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 31st March 2025.	This commenced in spring 2024 however PSS is due to be replaced so the fixed asset project has been paused awaiting assessment of suitability of PSS' replacement.

Interim Audit 2025/26 - Points Arising

Audit Point	Audit Findings	Officer comments
System	The current finance system requires a disproportionate amount of manual input and reconciliation due to its non-integrated nature. This is very labour intensive and increases the inherent risk of error and misstatement. I would recommend the council consider alternative accounting solutions that are more integrated, to reduce human input, reduce risk and reallocate finance time away from manual processing to more cost-effective tasks of review and reporting.	Agreed but RFO and finance team capacity has been insufficient to commence a system replacement project. The CEO and RFO have scheduled the selection/procurement/implementation of a new finance system for 2027/28.
Books of Account	(In addition to o/s point above) The finance team reconcile the balance sheet accounts at the year end, but do not regularly review them during the year. This lack of interim review could enable prepayments or accruals to be overlooked that would affect the income and expenditure reporting. I would recommend that the balance sheet accounts are reconciled and scheduled at least quarterly. This will ensure that all income and expenditure is properly and timely recorded.	Agreed. Year-end accruals and prepayments do affect in-year budget monitoring and quarterly financial accounts would be preferable. Lack of officer capacity currently prevents this, however it would be possible after the inefficient finance system is replaced with a more integrated/automated system in 2027/28, or, before then if councillors wish to appoint additional finance staff.
Month end procedures	The finance team do have written procedures and update these on an ongoing basis. I would recommend that a checklist of key month end tasks is drawn to ensure consistency at month end.	Agreed.
Vat returns	The return was prepared on the 05/08/2025 and the refund received on the 11/08/2025. The council met the VAT deadline; however, this was quite late in the period. It is always recommended the return is produced in a timely manner.	Agreed. The Nov 2025 VAT return was submitted on time but delayed pending VAT consultant's advice about previous years' liabilities. More timely returns will be implemented for next Feb 2026 return onwards.
Statutory office forms	I confirmed by sample testing that councillors sign "Acceptance of Office" form. The council also requires councillors to sign a formal acceptance to receive information by electronic means. I have been provided with a copy of the blank template, but at the first interim audit date the signed copies could not be located. I will test this again at the second visit. Please can I see signed versions of the Elected Member Contact Form and for these be made available to me for the second visit	We will make the copies available.
Committee minutes	Minutes are uploaded to the council website. I would recommend the website contain some text to indicate that signed versions of the minutes are available on request	Agreed. Corporate to action.
Purchase Orders	Based on the level of financial activity of the council, and through discussion with the RFO, the authorisation thresholds appear appropriate. However, there are weaknesses in the PO system that allows goods and services to be purchased without robust control. I recommend the PO system is reviewed and updated.	Agreed. The legacy EDMS purchase ordering system is barely fit for purpose and its provider wishes to abandon it once the Council replaces it as part of a new integrated finance system in 2027/28. In the meantime the RFO takes responsibility for its limitations and weaknesses.
Bank reconciliations	I was able to confirm that the bank reconciliations have been verified in accordance with Financial Regulations, and evidence of this activity taking place is recorded within the minutes of meetings. However, I note the financial regulation does not include the	Agreed. Financial regulations are currently being reviewed against the recently issued NALC model and recommended improvements including this change will be presented to the Finance Committee in February 2026.

	wording in respect of signing the face of the bank statement. This part of the regulation is the evidence that proves the verifying party has seen the third party statement Salisbury City Council Interim Internal Audit Report 1 2025-26 12 of 19 as evidence. In the absence of this evidence, there is no documentary proof that the bank statement was physically seen. I would recommend that the financial regulation 2.2 is updated to the most recent NALC wording (shown below) and that in future the face of the bank statement is also signed	
Investments	The council has an investment strategy posted to its website. This is dated March 2023 with a scheduled review date of March 2024. This copy is out of date and needs to be replaced with the current version which was adopted in November 2024	Agreed.

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, considers the audit findings and any comments arising from the Full Council meeting earlier this month.

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

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

15th September 2025

Dear Steve

Re: Salisbury City Council
Internal Audit for Financial Year Ended 31 March 2026 – Interim Audit report

Executive summary
Following completion of our interim internal audit on 9th July 2025 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.**

In summary our sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk. It is clear the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at Salisbury City Council are a model of good practice. However, we have identified within our report, and I refer you to the detail below, areas where improvements could be made.

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. In addition to this we would strongly recommend that our detailed report be published publicly on the council website.

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 15 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 2025/26 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 kept properly during the year.

Audit findings

The audit was conducted on site with the RFO and finance team. The finance department sit together in their own office, and each have their own duties overseen by the RFO. Hard copy filing is kept within the office logically presented and easily accessible. There are locked cabinets and draws for such items such as petty cash and payroll. I have the impression that accounting records are neatly maintained and easily accessible. Other information was reviewed through discussion with the Clerk and other departments and a review of the council website https://salisburycitycouncil.gov.uk/

The council continues to use the Exchequer (One Advance) accounting package for recording the council's finances. This is not an industry specific accounting package. The accounting package is populated daily and is used to produce management information reports for review at council & committee meetings. The system encompasses cashbook, sales ledger, purchase ledger, bank reconciliation, & nominal ledger. The payroll is outsourced to Wiltshire Council. The council also uses the usual Microsoft suite and an HR package. The council also has a purchase order system called EDMs from Blue Frontier. The council has an It officer (Corporate Services) responsible for Cyber security.

It is clear the council systems have been in place for several years and whilst they are updated and maintained they remain in most cases standalone from each other, with little or no integration. The nature of stand-alone systems mean that increased human input is required to populate them which increases the inherent risk of error or misstatement and uses time which could be focussed on other review and reporting tasks. The RFO is aware of this and this is a topic we have discussed in the past and indeed I have sign posted the council to other larger councils' systems that may suit Salisbury. It is my opinion that the current system requires a disproportionate amount of manual input and reconciliation due to its non-integrated nature. This is very labour intensive and increases the inherent risk of error and misstatement. **I would recommend the council consider alternative accounting solutions that are more integrated, to reduce human input, reduce risk and reallocate finance time away from manual processing to more cost-effective tasks of review and reporting.**

There are four finance users with their own individual logons and individual privileges. Passwords are routinely prompted to change, and each user must log onto the council system first before access to the financial reporting package.

1. RFO
2. Senior Finance Officer
3. Senior Finance Officer
4. Finance apprentice

The system requires the population of key data fields to enable the user to record a transaction. This is a clear and easy to follow system and a review of the cashbook shows that all data fields are being entered, the reports are easy to read and logically filed.

Every month, a "month end" close down is performed by the finance team various reports are printed and filed in both hard & soft copy, these include but are not limited to, income and expenditure against budget, bank reconciliations and other reports as fit.

As a large council the financial statements include balance sheet accounts e.g., accruals, prepayments, the main control accounts of sales ledger, purchase ledger, VAT and the payroll control accounts, and during the 2024/25 year, as part of the SoRP accounting requirement, fixed assets along with corresponding reserves were reinstated, together with PWLB loan creditors. These SoRP adjustments are no longer required under the limited assurance regime; however,

and I agree with this decision, the council has decided to retain the SoRP reporting structure for internal purposes and at the year end adjustments will be made to produce AGAR accounts.

The finance team reconcile the balance sheet accounts at the year end, but do not regularly review them during the year. This lack of interim review could enable prepayments or accruals to be overlooked that would affect the income and expenditure reporting. **I would recommend that the balance sheet accounts are reconciled and scheduled at least quarterly. This will ensure that all income and expenditure is properly and timely recorded**.

The finance team do have written procedures and update these on an ongoing basis. **I would recommend that a checklist of key month end tasks is drawn to ensure consistency at month end.**

I conducted a simple walk-through test on a supplier invoice drawn at random and a receipt drawn at random and can confirm the underlying documentation was easy to locate and agreed to the cashbook details. I make no recommendation to change in this system.

I tested the opening balances as at 1/4/25 by reviewing the balance brought forward on the exchequer accounting package for the HSBC account and confirmed it could be agreed back to the investment reconciliation for the audited accounts for 2024/25 with both documents showing £710,893.97

I reviewed the nominal ledger entries for the period 01/25 to 05/25 to ensure items were posted to the correct heading and that there were no instances of netting off and the expenditure was correctly posted to the headings to which the line item related. There is evidence of corrections to coding errors and the credits to the expenditure accounts appear to be genuine reversals. There is no evidence of netting off of income against expenditure. Overall I am of the opinon that the entries are correctly posted and subject to review,

The observations I have are

- Electricity accrual reversal (account 21001) is significant and skews the charge reported for the quarter. This may need to be reviewed
- Insurance premiums (account 29001) – it appears as if the full end of year prepayment has been reversed in month one and PIN044409 may need to be prepaid.
- Ticket Sales (account 45016) – the creditor reversal appears to skew the whole result – this may need to be reviewed.

The last VAT return was for the perioded 30th June 2025. This showed a refund of £146,798.93. The return was prepared on the 05/08/2025 and the refund received on the 11/08/2025. The council met the VAT deadline; however, this was quite late in the period. It is always recommended the return is produced in a timely manner.

I am of the opinion this control objective has been met.

B. FINANCE REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

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

Audit findings

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

During the previous year the council fell outside of the limited assurance regimen and as such was not required to complete or submit an Annual Governance and Accountability Return.

The council website makes very clear this position and how the council has found itself between two camps. *"Currently the law requires Salisbury City Council to follow different SoRP accounting and audit rules instead of AGAR rules; however, because the Government has indicated that it intends to change the law this year, and return the Council to AGAR, the Council has voluntarily opted to do both."*

I am of the opinion the council has correctly followed procedure in this regard.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors sign "Acceptance of Office" form. The council also requires councillors to sign a formal acceptance to receive information by electronic means. I have been provided with a copy of the blank template, but at the first interim audit date the signed copies could not be located. I will test this again at the second visit. **Please can I see signed versions of the Elected Member Contact Form and for these be made available to me for the second visit.**

The council website includes a councillor page where the individual Register of Members' Interests forms are linked to the district page where 24 councillors are listed. I note that Mr B Gann is still listed on the district site. The council has made the district aware of this.

Confirm that the council is compliant with GDPR

The council is fully aware of GDPR. The council has established common .gov email addresses for all councillors and staff. 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 Smaller Authorities Proper Practices Panel (SAPPP) Practitioner's Guide (March 2025) contains updated guidance on the matter as below, including details of the new Governance Assertion to be included in the 2025/26 AGAR:

Assertion 10 - Digital and data compliance

To warrant a positive response to this assertion, the authority needs to have taken the following actions:

1.47 Email management - Every authority must have a generic email account hosted on an authority owned domain, for example clerk@abcparishcouncil.gov.uk or clerk@abcparishcouncil.org.uk rather than abcparishclerk@gmail.com or abcparishclerk@outlook.com for example.

1.48 All smaller authorities (excluding parish meetings) must meet legal requirements for all existing websites regardless of what domain is being used.

1.49 All websites must meet the Web Content Accessibility Guidelines 2.2 AA and the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 (where applicable).

1.50 All websites must include published documentation as specified in the Freedom of Information Act 2000 and the Transparency Code for Smaller Authorities (where applicable).

1.51 All smaller authorities, including parish meetings, must follow both the General Data Protection Regulation (GDPR) 2016 and the Data Protection Act (DPA) 2018.

1.52 All smaller authorities, including parish meetings, must process personal data with care and in line with the principles of data protection.

1.53 The DPA 2018 supplements the GDPR and classifies an authority as both a Data Controller and a Data Processor.

1.54 All smaller authorities (excluding parish meetings) must also have an IT policy. This explains how everyone - clerks, members and other staff - should conduct authority business in a secure and legal way when using IT equipment and software. This relates to the use of authority-owned and personal equipment.

The council has a Privacy Notice and Accessibility Statement on the home page of 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 number of committees. Terms of reference/scheme of delegation for each committee are published on the council website as part of standing orders.

A diary of future meeting dates is also published on the council website, along with historic agendas and minutes for council and committee meetings.

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. Supporting documentation is available via a web site link.

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

Minutes are uploaded to the council website. **I would recommend the website contain some text to indicate that signed versions of the minutes are available on request.**

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 and were most recently reviewed and adopted by council on the 14th July 2025.

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

Financial Regulations are based on a previous NALC model and were last reviewed and adopted by council in March 2024 with a review date set as March 2025. These are being reviewed currently by the RFO with a view to the introduction of the NALC model. The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council. I note the council also has an adopted Scheme of Delegation to support the Financial Regulations.

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

The council has thresholds in place at which authorisations to spend must be obtained as below:

*FR 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).*

For individual purchases the process in place from ordering to payment can be summarised as follows:

- *Purchase Orders are raised using EDMs and whilst having a purchase order system adds a level of control and hierarchical review to the process the current system has some significant weaknesses. The RFO is the administrator and sets the account and cost center and financial thresholds for each user. However,*
    - *the system has a blanket financial threshold which is not in accordance with the financial regulations which can allow a PO to be raised that is above an individuals agreed limit. It is not possible to set individual thresholds in EDMs*
    - *POS can be printed and issued without hierarchical authorisation.*
    - *There is no formal process for ensuring the budget availability is checked prior to making an order*
    - *POS are not routinely matched off against supplier invoices.*

- *Supplier invoices, are issued to departments – they annotate invoice with authorisation and NL coding.*

- *Supplier Invoices manually posted to Exchequer System by Finance apprentice – POS are not attached to invoice – there is an ad hoc check made to ensure invoice quotes PO but no formal matching.*

- *There is a weekly payment run, using the Exchequer system to generate a bacs list which is uploaded to the bank.*

- *Cheque signatories are contacted to access bank system to log on and authorise the payments.*

Based on the level of financial activity of the council, and through discussion with the RFO, the authorisation thresholds appear appropriate. However, there are weaknesses in the PO system that allows goods and services to be purchased without robust control. **I recommend the PO system is reviewed and updated.**

The council has in place a system to segregate duties in terms of the setting up and subsequent release of payments made via online banking in accordance with the council's adopted Financial Regulations, and has sufficient individuals authorised to complete these steps, minimising the risk of being unable to make payments in a timely fashion.

Confirm the council has adopted the General Power of Competence (GPC) and met the eligibility criteria at the time of adoption, or if GPC not adopted, confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £11.10 per elector

The council will confirm its eligibility at the next full council meeting. S137 will not apply.

Confirm that checks of the accounts are made by a councillor

There are no documented reviews by councillors other than of information presented to them at meetings.

I am of the opinion this control objective has been met.

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

To be tested at the next visit

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 has started the budget process for 2026/27. Deadlines are achievable. The initial budgets will be drawn up by the RFO and presented to committee. Together with 5-year plans.

The Smaller Authorities Proper Practices Panel (SAPPP) Practitioner's guide provides updated guidance on the appropriate level of general reserves that councils should retain as below:

5.33 The general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances.

5.34 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.

5.35 The reason for the wide range is to cater for the large variation in activity level between individual authorities. The smaller the authority, the closer the figure may be to 12 months expenditure, the larger the authority, the nearer to 3 months. In practice, any authority with income and expenditure in excess of £200,000 should plan towards 3 months equivalent general reserve.

5.36 In all of this it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of level of income and expenditure but also the risks to that income.

5.37 Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.

The council has earmarked reserves, CIL, S106 and capital reserves. At the interim audit date the council had circa £950k of general reserves. I calculate the net revenue expenditure of the council is circa £5m. This would equate to a general reserve of circa £1.2m. The general reserve would be considered low; however, the council has a plan to increase this.

I am of the opinion this control objective has been met.

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

To be tested at the next visit

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 maintains a petty cash floats of varying amounts depending on the department.

- Finance £500
- Lunch Club £205
- Community Café £20
- Pantry £15
- Business Services £100
- Shopmobility £160
- Environmental services £150

There are also change floats in the shop tills

- Business Services £50
- Shopmobility £40
- Info Centre £300
- Lunch clubs £20
- Community Café £15
- Pantry £50

The petty cash is locked securely under the control of the various managers and petty cash vouchers are completed for each transaction. The petty cash is checked and balanced by the finance department on a regular basis.

A review of the vouchers shows that all petty cash items are genuine and other arrangements for payment would not have been appropriate.

At the date of the internal audit, I checked the finance petty cash balance and was able to confirm it was correct and matching the control account. I am satisfied that the council has in place appropriate measures for the safe management of petty cash.

I am of the opinion this control objective has been met.

G. PAYROLL

Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.

Audit findings

The council as outsourced payroll to Wiltshire Council with effect 1/4/25.

This will be tested at a later date.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

The Smaller Authorities Proper Practices Panel (SAPPP) Practitioner's guide provides updated guidance on assets and asset registers as below:

5.58 The asset register should contain in its most simple form the date of acquisition, cost of acquisition, useful life estimate and location along with value held for investments; however, it is desirable for the register to contain other such supplementary information to enable the user to better understand the nature and scope of the use of the fixed asset. It is therefore recommended to show insurance value, replacement value, custodian, date last physically vouched.

5.59 Each authority may choose an appropriate minimum value for deciding between fixed assets and general consumables. The limit chosen will relate to expected useful life, whether the item would be included on an insurance claim and whether it is included in the risk assessment of the authority in any way. This minimum level is to be minuted and reviewed at least annually. The rationale and methodology should be recorded in the minutes.

5.60 One item or group of similar items shall be regarded for inclusion in the fixed asset register.

5.61 Assets should be first recorded in the asset register at their actual purchase cost.

5.62 Assets that are either under construction or have not been brought into use should be included on the asset register only once complete and they benefit the community.

5.63 Obsolete assets that are no longer in use or are awaiting disposal should be clearly recorded as such.

5.64 Where an authority receives an asset as a gift at zero cost, for example by community asset transfer, it should be included with a nominal one-pound (£1) value as a proxy for the zero cost.

5.65 Assets that do not have a functional purpose or any intrinsic resale value (for example, a village pond or war memorial) are often referred to as 'community assets'. Authorities should record community assets in the asset register in the same way as gifted assets.

5.66 The particular method of asset valuation is not specified in proper practices so authorities may use any reasonable approach to be applied consistently from year to year. The method of asset valuation adopted should be set out in a policy approved by the authority and recorded in the authority's minutes and in the asset register.

5.67 For authorities covered by this guide, the most appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that the recorded value of the asset will not change from year to year, unless it is materially enhanced.

5.68 Commercial concepts of depreciation, impairment adjustments, and revaluation are not required nor appropriate for this method of asset valuation.

5.69 The total value of an authority's assets recorded on the asset register as at 31 March each year is reported at Line 9 on the authority's AGAR. Authorities should be able to track and explain fully any changes in the asset register from year to year.

The Smaller Authorities Proper Practices Panel (SAPPP) Practitioner's guide provides updated guidance on investments, and defines a long-term investment as below:

2.23 Short-term investments, which mainly include deposit and savings accounts typically provided by banks, are those that display the following characteristics:

a. are denominated in pounds Sterling;
b. be realisable at full value on demand or have a maturity end date of not more than 12 months;
c. the whole of the original sum invested can, from the time that the investment is made, be accessed for use by the authority without any reduction; and
d. the authority has assessed the counterparty and is satisfied that the original sum invested is not subject to unreasonable risk.

2.26 A long-term investment arises where the authority invests money in anything other than a short-term investment.

1.11 Arrangements need to be in place to ensure that the authority's funds are managed properly and that any amounts surplus to requirements is invested appropriately, in accordance with an approved strategy which needs to have regard to the government's Statutory Guidance on Local Government Investments. If total investments are to exceed the threshold specified in the statutory guidance at any time during a financial year, the authority needs to produce and approve an annual Investment Strategy in accordance with the guidance.

This will be tested at a later date.

I. BANK AND CASH

Internal audit requirement

Periodic bank account reconciliations were properly carried out during the year.

Audit findings

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

I was able to confirm that the bank reconciliations have been verified in accordance with Financial Regulations, and evidence of this activity taking place is recorded within the minutes of meetings.

However, I note the financial regulation does not include the wording in respect of signing the face of the bank statement. This part of the regulation is the evidence that proves the verifying party has seen the third party statement

as evidence. In the absence of this evidence, there is no documentary proof that the bank statement was physically seen. **I would recommend that the financial regulation 2.2 is updated to the most recent NALC wording (shown below) and that in future the face of the bank statement is also signed.**

"At least [once in each quarter], and at each financial year end, a member other than the Chair {or a cheque signatory} shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign and date the reconciliations and the original bank statements (or similar document) as evidence of this. This activity, including any exceptions, shall be reported to and noted by the council {Finance Committee}."

The council holds accounts with HSBC, CCLA public sector deposit fund. I verified the June quarter bank reconciliations and found no errors.

As the council's annual budget exceeds the €500,000 (£430,950 as of 3 July comparative date) threshold, it is not protected by the Financial Services Compensation Scheme (FSCS).

The council has an investment strategy posted to its website. This is dated March 2023 with a scheduled review date of March 2024. **This copy is out of date and needs to be replaced with the current version which was adopted in November 2024.**

I am of the opinion this control objective has been met.

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), supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.

Audit findings

During the year under review the council prepared and signed off both SoRP and Limited Assurance Review Accounts because owing to its income levels it exceeded the threshold for limited assurance review. However, the government confirmed that the thresholds were to be increased in the summer of 2025, but due to the summer recess the legislation would not be in place for the council to remain in the lower tier audit regime.

The council, at its meeting on the 27th May 2025 signed off the year-end accounts, in the correct order and separately minuted the governance statement and the accounting statements.

Section 1 – Annual Governance Statement

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

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

7	We took appropriate action on all matters raised in reports from internal and external audit.	*responded to matters brought to its attention by internal and external audit.*	**YES** – matters raised in internal and external audit reports have been addressed.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements.	*disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.*	**YES** – no matters were raised during the internal audit visits.
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	*has met all its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.*	**YES** – the council has met its responsibilities.

Section 2 – Accounting Statements

AGAR box number		2023/24	2024/25	Internal Auditor notes
1	Balances brought forward	1,982,146	2,327,650	Agrees to 2023/24 carry forward (box 7)
2	Precept or rates and levies	5,152,561	5,642,672	Figure confirmed to central precept record
3	Total other receipts	3,767,145	3,683,605	Agrees to underlying accounting records
4	Staff costs	2,839,002	3,049,674	Agrees to underlying accounting records. Includes only expenditure allowed as staff costs (see section G)
5	Loan interest/capital repayments	312,412	312,412	Confirmed to PWLB documents
6	All other payments	5,422,788	4,951,668	Agrees to underlying accounting records
7	Balances carried forward	2,327,650	3,340,174	Casts correctly and agrees to balance sheet
8	Total value of cash and short-term investments	2,363,654	3,735,460	Agrees to bank reconciliation for all accounts
9	Total fixed assets plus long-term investments and assets	20,098,273	20,169,109	Matches asset register total and changes from previous year have been traced
10	Total borrowings	2,427,722	2,190,515	Confirmed to PWLB documents

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

The year-end accounts have been correctly prepared on an income and expenditure basis with a box 7 and 8 reconciliation properly completed. I have reviewed the underlying schedules and documentation and verified to invoices.

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

The variance analysis has been completed to explain the variances where required.

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

K. LIMITED ASSURANCE REVIEW

Internal audit requirement

IF the authority certified itself as exempt from a limited assurance review in the previous year, it met the exemption criteria and correctly declared itself exempt.

Audit findings

The council did not certify itself exempt in 2024/25 due to exceeding the income and expenditure limits and this test does not apply.

L: PUBLICATION OF INFORMATION

Internal audit requirement

The authority publishes information on a free to access website/webpage, up to date at the time of the internal audit in accordance with relevant legislation

Audit findings

The council is reminded that the following requirements apply.

For councils with a turnover over £25,000, it is recommended best practice to follow the Local Government Transparency Code 2015, but not a statutory requirement and therefore not subject to verification during the internal audit.

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.

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)

(c) 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
(d) the Annual Governance Statement approved in accordance with regulation 6(3)

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

(c) keep copies of those documents for purchase by any person on payment of a reasonable sum; and

(d) 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.

I was able to confirm that pages 4 (Annual Governance Statement) and 5 (Accounting Statements) of the AGARs are available for review on the council website for financial years 2019/20 to 2024/25 inclusive.

I am satisfied this control objective has been met.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

The authority, during the previous year, correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Audit findings

Inspection – key dates	2024/25 Actual
Date AGAR signed by council	27th May
Date inspection notice issued	30th June
Inspection period begins	3rd June
Inspection period ends	14th July
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 2024/25, and assertion 4 on the Annual Governance Statement can therefore be signed yes by the council.

N: PUBLICATION REQUIREMENTS

Internal audit requirement

The authority complied with the publication requirements for the prior year AGAR.

Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2025 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 2024/25, approved and signed, page 4*
- *Section 2 - Accounting Statements 2024/25, approved and signed, page 5*

Not later than 30 September 2025 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 the Period of Public Rights and Section 1 (Annual Governance Statement) and Section 2 (Accounting Statement) were published on the council's website before 1 July 2025.

The council has therefore met the publication requirements for 2025/26 have been met.

O. TRUSTEESHIP

Internal audit requirement

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

Audit findings

The council is the trustee of Lower Bemerton Recreation Ground And Endowment Fund Charity number: 1081377. I reviewed the information available on the Charity Commission website and was able to confirm that all reporting is up to date and that the council is correctly listed as the sole trustee.

I was able to confirm that trustee meetings and accounts are recorded separately from those of the council, and the most recent meeting of the trustees took place on 14th July 2025.

The charity accounts show an independent examination of the charity accounts is not required.

The council has met its responsibilities as a trustee.

Achievement of control assertions at final internal audit date

Based on the tests conducted during the interim audit, our conclusions on the achievement of the internal control objectives to date are summarised in the table below.

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the financial year	✓		
B	This authority complied with its Finance Regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	✓		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	To be tested at a later visit		
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	To be tested at a later visit		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for	✓		
G	Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.	To be tested at a later visit		
H	Asset and investments registers were complete and accurate and properly maintained.	To be tested at a later visit		
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), 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 the previous year, it met the exemption criteria and correctly declared itself exempt.			✓
L	The authority publishes information on a free to access 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 correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
N	The authority complied with the publication requirements for prior year AGAR.	✓		
O	Trust funds (including charitable) – The council met its responsibilities as a trustee.	✓		

Should you have any queries please contact me directly on mark@mulberrylas.co.uk or 01252 929 590

Yours sincerely

Mark Mulberry
Director, Mulberry Local Authority Services Ltd

Interim Internal Audit - Points Carried Forward

Audit Point	Interim Audit Findings	Council comments
A: Appropriate accounting records have been properly kept throughout the financial year	I would recommend the council consider alternative accounting solutions that are more integrated, to reduce human input, reduce risk and reallocate finance time away from manual processing to more cost-effective tasks of review and reporting.	
	I would recommend that the balance sheet accounts are reconciled and scheduled at least quarterly. This will ensure that all income and expenditure is properly and timely recorded.	
	I would recommend that a checklist of key month end tasks is drawn to ensure consistency at month end.	
	Notes observations made on some entries on the nominal ledger	
B: Governance	Please can I see signed versions of the Elected Member Contact Form and for these be made available to me for the second visit.	
	I would recommend the website contain some text to indicate that signed versions of the minutes are available on request.	
	I recommend the PO system is reviewed and updated.	
I: Periodic bank account reconciliations were properly carried out during the year.	I would recommend that the financial regulation 2.2 is updated to the most recent NALC wording (shown below) and that in future the face of the bank statement is also signed. *"At least [once in each quarter], and at each financial year end, a member other than the Chair {or a cheque signatory} shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign and date the reconciliations and the original bank statements (or similar document) as evidence of this. This activity, including any exceptions, shall be reported to and noted by the council {Finance Committee}."*	
	The council has an investment strategy posted to its website. This is dated March 2023 with a scheduled review date of March 2024. This copy is out of date and needs to be replaced with the current version which was adopted in November 2024.	