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Our Ref: MARK/AND009

Mrs W Coulter
Andover Town Council
68B High Street
Andover
Hampshire, SP10 1NG

24th May 2022

Dear Wendy

Re: Andover Town Council
Internal Audit Year Ended 31st March 2022

Executive Summary

Following completion of our interim internal audit on the 24th November 2021 and final audit on the 25rd 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. 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.

Interim Audit Summary

It is clear the council has been through a period of change and the pandemic has adversely impacted not only the working environment but the method & processes of working. The council operates out of rented premises above a high street shop accessed via side entrance door. Hard copy records are usually kept on site although currently they are split between the office and the clerks home address. The council meet in a separate chamber along the high street. First impressions are of a site that is not particularly access friendly for the community and direct contrast to this the council's website is easy to navigate and accessible. 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.

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.

I would like to thank Wendy for her assistance and whilst my report contains recommendations to change these are not indicative of any 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 Andover Town Council are fit for purpose

Final Audit Summary

We have reviewed the AGAR and underlying documentation and we are of the opinion the AGAR is ready for approval by council and submission to the external auditor.

I was pleased to note that many of the internal audit recommendations have now been addressed. I have highlighted if any are on-going.

The accounts and underlying documentation were thorough and complete and I can confirm that the governance statement can be signed off in all areas positively as there were no breaches of regulations in any of our sample testing.

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 In September 2021 covering the 2021/22 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 2021 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

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.

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A. BOOKS OF ACCOUNT (INTERIM AUDIT)**Internal audit requirement**

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

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS ACCOUNT (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.

Final Audit

I have reviewed the expenditure list and I also reviewed the nominal ledger for evidence of netting off and significant journal entries, the individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

Section Conclusion

I am of the opinion that the control assertion 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.

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.

Final Audit

The council has £528,946 of total reserves of which earmarked reserves are £418,359, and £110,587 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 £150. The councils' general reserves are appropriate for a council of this size.

I have noted that the earmarked reserves have not moved year on year, I remind council it does not have the power to accumulate reserves. The council should consider future project delivery to utilise these funds for the benefit of the community.

Section Conclusion

I am of the opinion that the control assertion 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.

Final Audit

The precept income was tested to third party evidence supplied to the auditor and has been correctly disclosed in box two of the AGAR.

All other income has been correctly shown in box 3 of the AGAR, the year-on-year movement of £5k is below the threshold to report on the list of significant variances.

I have reviewed the income list which is broadly similar to the prior year after accounting for one of income items. I also reviewed the nominal for evidence of netting off. The individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

Section Conclusion

I am of the opinion that the control assertion 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.

The council does have a petty cash card this balance remains aged and immaterial.

Section Conclusion

I am of the opinion that the control assertion 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.

Final Audit

The amounts shown on the AGAR agree to the underlying cashbook and payroll reports. I can confirm that only payroll costs are shown in box 4 of the AGAR.

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 March PAYE was paid before the year end and is therefore not shown on the box 7 & 8 reconciliation.

Section Conclusion

I am of the opinion that the control assertion has been met.

H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)**Internal audit requirement**

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

Final Audit

The fixed asset register lists the assets, their cost or proxy cost together with insurance values. Assets are correctly stated at historic cost. There has been no change year on year.

The council has no loans or investments

Section Conclusion

I am of the opinion that the control assertion has been met.

I. BANK & CASH (INTERIM & FINAL AUDIT)**Internal audit requirement**

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

Final Audit

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation there were no outstanding lodgements & payments. The petty cash card is an old balance of £40.22, if this is no longer being used, I would recommend it is written off from the accounts and the card closed.

I also reviewed the after-date bank statements for evidence of March transactions to verify the cut off. There were no errors in the sample reviewed.

The March reconciliation has been signed. I am under no doubt the bank is being properly reconciled. Please note these should be taken to council and signed in accordance with financial regulation 2.2

The council has two bank accounts together with a petty cash card with total holdings of £535,075. None of the accounts are long term investment accounts and as such do not need to be disclosed in box 9 of the AGAR. It was confirmed that the deposit accounts support the earmarked reserves.

The council does not have reserve balances greater than twice the precept and as such these do not need reporting to the external auditor.

Section Conclusion

I am of the opinion that the control assertion 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.

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	<i>'Yes' means that this authority</i>	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. The council has at least two internal audits per annum. The council has up to date financial regulations
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 qualified and experienced and advises the council in respect of its legal powers. There is no evidence in the accounts to show spending outside of power. The council has up to date financial regulations
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 2020/21 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	<i>arranged for a competent person, independent of the financial controls</i>	YES – the council has appointed an independent

	accounting records and control systems.	<i>and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	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>	N/A.

Section 2 – Accounting Statements

Agar Box Number		2020/21	2021/22	Auditor Notes
1	Balances brought forward	432,516	449,861	Agrees to cfwd
2	Precept or Rates and Levies	344,204	349,585	Agrees to third party evidence provided to auditor
3	Total other receipts	41,429	46,640	Agrees to underlying records
4	Staff costs	171,202	170,929 – 24,263 = 146,666	Agrees to underlying records – reallocate non payroll costs to box 6
5	Loan interest/capital repayments	0	0	Agreed no loans
6	All other Payments	197,086	146,211 + 24,263 = 170,474	Agrees to underlying records - – reallocate non payroll costs to box 6
7	Balances carried forward	449,861	528,946	Casts correctly

8	Total value of cash and short term investments	452,506	535,075	Agrees to reconciliation
9	Total fixed assets plus long term investments and assets	5,176	5,176	Agrees to register
10	Total borrowings	0	0	Agreed no loans

11	For Local Councils Only)	YES	NO	N/A	Yes the council has fulfilled its obligations
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	Disclosure note re Trust funds (including charitable)			✓	
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The year-end accounts have been correctly prepared on the income & expenditure basis with a box 7 & 8 reconciliation properly completed. The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the prior year.

The variance analysis is not required because there are no variances greater than 15% and £500.

Section Conclusion

I am of the opinion that the control assertion has been met.

K. LIMITED ASSURANCE REVIEW (INTERIM AUDIT)

Internal audit requirement

If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick “not covered”)

The council did not itself exempt in 2020/21 or 2021/22.

L: TRANSPARENCY (INTERIM & FINAL AUDIT)

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 any relevant transparency code requirements.

The council is required to follow the transparency code for larger authorities as it has turnover in excess of £200k. A review of the web site shows the council is following this. I have sign pointed the clerk to a website that shows transparency as best practice.

Section Conclusion

I am of the opinion that the control assertion has been met.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS (FINAL AUDIT)**Internal audit requirement**

The authority, during the previous year (2020-21) 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).

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	2020/21 Actual	2021/22 Proposed
Date Inspection Notice Issued and how published	18th June – before accounts were signed	23 rd June
Inspection period begins	21st June	27 th June
Inspection period ends	30th July	5 th August
Correct length	yes	yes
Common period included?	yes	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 has been met.

N. PUBLICATION REQUIREMENTS (INTERIM AUDIT)**Internal audit requirement**

The authority has complied with the publication requirements for 2020/21 AGAR.

A review of the website and the findings above shows that the local authority has complied with the regulations in respect of publication.

Section Conclusion

I am of the opinion that the control assertion has been met.

O. TRUSTEESHIP (INTERIM AUDIT)**Internal audit requirement**

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

The council has no trusts.

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

Kind regards

Yours sincerely


Mark Mulberry**Interim Audit - Points Forward**

Audit Point	Audit Findings	Council comments
Books of account	The council may want to consider a secure method by which passwords are stored in case of emergency, in addition to training up a backup finance operative.	Completed
VAT	I would recommend chasing up the VAT refund with HMRC. I would recommend the VAT detail prints are printed with the summary reports at the quarter end and filed with the VAT returns.	Now received and detail reports now printed
Books of account	I believe the council would benefit from a month end tick list process to ensure all relevant reports at the time are printed to PDF and agreed	On-going
Transparency	I remind council it is a mandatory requirement to follow the code and I recommend that over the course of the remainder of this council year the website is updated to reflect this.	Completed
GDPR	I recommend the councillors be encouraged to use their Town Council Email in future.	On-going
Financial regulations	I would recommend the council consider updating its financial regulations to the new NALC model, this will also address the typos in the current published document. Local variation to financial regulations - I recommend this will need addressing as a council cannot have regulations that state one thing, but local practice does another.	Completed – taken to council in May 2022.
Financial Risk Assessment	I would recommend a simple table is drawn up to detail the nature and scope of risk, current controls and any action that needs to be taken. I have appended a model that could be adopted to this report	Completed – taken to council in April 2022
Insurance	At the interim date we could not locate the schedule of insurance. Only the certificate. I will test this again at the year end audit.	Completed
Budget 3 – year forecast	I would recommend that council add its 3 year forecast to its current budget spreadsheet, for now this can be a simple % increase, which can then be worked on and	Completed – taken to council in January 2022.

	reviewed on a rolling basis over the course of the council year.	
Earmarked reserves	I recommend the council review the earmarked reserves and a simple summary be produced showing opening position, movement and closing position of each reserve. (see appendix 2)	On-going
Payroll – employment allowance claimed in error	I reviewed this with the clerk and we agreed that the clerk should complete a full review of amounts due to and received by HMRC to ascertain the full picture. I therefore recommend the payrolls for all applicable years must be checked and corrected and any tax re paid to HMRC.	Adjusted and repaid
Bank & Cash	The council may want to consider the introduction of an investment strategy as I could not locate one on the website.	On-going
Inspection dates	Whilst the publication dates are correctly spaced, the AGAR was approved after the publication date which is in contradiction of the publication requirements. The Signed AGAR must be signed before being published, therefore the dates for public inspection must be after this date.	Completed and rectified for 2021/22