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Our Ref: MARK/AND009

Mrs G Foster
Andover Town Council
Office 108, IncuHive
Chantry House
36 Chantry Street
Andover
SP10 1LS

12 December 2023

Dear Gail

Re: Andover Town Council
Internal Audit Year Ended 31 March 2024 – Interim Audit report

Executive summary

Following completion of our interim internal audit on 12 December 2023 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 AGAR. The start of each section details the nature of the assertion to be verified. Testing requirements follow those detailed in the audit plan previously sent to the council, a copy of this is available on request. The report concludes with an opinion as to whether each assertion has been met or not at the interim audit. Where appropriate **recommendations for action are shown in bold text and are summarised in the table at the end of the report.**

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

It is clear the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at Andover Town Council are well established and followed.

Regulation

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily. The internal audit reports should therefore be made available to all Members to support and inform them when they considering the authority's approval of the annual governance statement.

Independence and competence

Your audit was conducted by Andy Beams of Mulberry & Co, who has over 30 years' experience in the financial sector with the last 13 years specialising in local government.

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

Engagement Letter

An engagement letter was previously issued to the council covering the 2023/24 internal audit assignment. Copies of this document are available on request.

Planning and inherent risk assessment

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

- There have been no reported 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 our opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be "walk through testing" on sample data to encompass the period of the council year under review.

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A. BOOKS OF ACCOUNT

Internal audit requirement

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

Audit findings

The interim audit was conducted on site with the Clerk, who also acts as the council's Responsible Financial Officer (RFO).

The Clerk had prepared the information advised in advance of the visit, and overall, I have the impression that accounting records are neatly maintained and easily accessible. Other information was reviewed through discussion with the Clerk and a review of the council website www.andover-tc.gov.uk

The council continues to use the EDGE accounting package for recording the day-to-day financial transactions of the council. The accounting package is updated regularly and used to produce management information reports for review at council meetings.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

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

Audit findings

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

The External Auditor's Report was not qualified and has been published on the council website along with the Notice of Conclusion of Audit and was reported to the council meeting held in November 2023.

Under other matters, the External Auditor commented *'The smaller authority has confirmed that it has not complied with the Section 1, Assertion 4, but it has provided the appointed auditor with an adequate explanation for non-compliance and details of the actions necessary to address weaknesses identified.'*

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors sign "Acceptance of Office" forms. The council website provides details of each councillor and includes the individual Register of Members' Interests forms.

Confirm that the council is compliant with the relevant transparency code

As the council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so. A review of the council website shows that some of the information is published, but if the council wishes to comply fully with the code, I recommend viewing the way Salisbury City Council publishes the information, which can be viewed via this link

www.salisburycitycouncil.gov.uk/transparency-code

Confirm that the council is compliant with 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 Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide (March 2023) contains updated guidance on the matter as below:

The importance of secure email systems and GOV.UK

- 5.205. All authorities except parish meetings must now have an official website. To comply with GDPR, councils should provide official email accounts for their councillors as well as for their clerk and other officers.
- 5.206. When choosing a domain name for the council's website and emails, many local council websites are appropriately making use of the official GOV.UK domain (for example, ourparishcouncil.gov.uk), with email addresses being linked to that domain.
- 5.207. Using a GOV.UK domain for your council website and email accounts demonstrates the council's official local government status. Members of the public are increasingly cyber security awareness, so a GOV.UK domain can also help to build trust, and credibility and visibly demonstrates authenticity. Many people will now reasonably expect a local council to have a GOV.UK domain name.
- 5.208. For the purposes of user management, councils should ensure that the proper officer can add and remove member and staff email accounts. Commercial 'dashboard' email and web systems offer centralised searching of all data contained within the system for effective compliance with GDPR Subject Access Requests and Freedom of Information Requests.

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

Confirm that the council meets regularly throughout the year

In addition to full council, the council has a committee structure in place. Terms of reference for each committee are published on the council website, along with a diary of future meeting dates and 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 in giving three clear days' notice of the meeting.

I note that agendas include hyper links to non-confidential supporting papers which complies with the requirements of the Information Commissioner's Office.

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

Draft minutes are uploaded to the council website and clearly annotated as draft.

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

The Standing Orders are based on the current NALC model and were most recently reviewed and adopted by council in May 2023 (minute ref C019/05/23).

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

Financial Regulations are based on the current NALC model and were last reviewed and adopted by council in May 2023 (minute ref C020/05/23). 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 to be determined by:

- *the council for all items over £5,000;*
- *a duly delegated committee of the council for items over £500; or*
- *the Town Clerk, for any items below £500.*

Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk, and where necessary also by the appropriate Chairman.

Contracts may not be disaggregated to avoid controls imposed by these regulations.

FR 4.2. No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the council, or duly delegated committee. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').

FR 4.5. In cases of extreme risk to the delivery of council services, or the smooth running of the administration, the Town Clerk may authorise revenue expenditure on behalf of the council which in the Town Clerk's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £1,000. The Town Clerk shall discuss such action with the Chairman of the Policy and Resources Committee as soon as possible and report to the council as soon as practicable thereafter.

Based on the level of financial activity of the council, these authorisation thresholds appear appropriate although the council may wish to consider increasing the Clerk's authorisation limit within FR 4.1 and 4.5 to a higher figure better aligned to the council's overall budget.

A review of council and committee minutes shows that council authorises payments in accordance with the adopted Financial Regulations, and regular reporting is presented to councillors informing them of the overall financial situation of the council.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £9.93 per elector

The council confirmed its eligibility and adopted the General Power of Competence (GPC) at the annual council meeting in May 2023 and the section 137 threshold does not apply.

Confirm that checks of the accounts are made by a councillor

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

C. RISK MANAGEMENT AND INSURANCE***Internal audit requirement***

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

Audit findings

The council has a Risk Management Policy and Risk Management Scheme in place, which was approved at the Policy and Resources Committee meeting in February 2023 (minute ref PR116/02/23) and then by council in March 2023 (minute ref FC170/03/23).

The scheme includes an explanation of the assessment process, including quantifying the risk matrix assessing the impact and likelihood of each risk. The document then reviews risks within each area of the council's business operations, with each individual risk identified, assessed using the risk matrix, control and mitigation measures are recorded with a target date for action and an individual assigned responsibility for the action, and then a residual overall risk is recorded.

This is a comprehensive document, and includes all risks typically associated with a council of this size and demonstrates that the council takes its risk management responsibilities seriously. The document is due for review again at committee and council in February and March 2024.

There is a separate list of the internal control processes in place, and how compliance with these is evidenced, further strengthening the council's risk management processes.

I confirmed that the council has a valid insurance policy in place arranged through James Hallam Ltd and underwritten through Aviva Insurance which covers the year under review. The policy includes Public Liability and Employers Liability cover of £10 million each and an Internal Crime (Fidelity Guarantee) level of £750,000 which is sufficient for a council of this size, although the council is advised to keep this figure under review to ensure it covers the maximum balance held.

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 set a precept of £361,802 for 2023/24. With a tax base of 17,444.0, this equates to a band D equivalent of £20.74 (compared to the average in England of £79.35).

The Clerk confirmed that the 2024/25 budget setting process is underway. The Policy and Resources Committee have received information including planned and unplanned expenditure at year end, and at the next meeting scheduled for 10 January 2024 will agree a recommendation for approval at the Council meeting on 24 January 2024.

There is evidence within the minutes of Policy and Resources Committee meetings and council meetings that reviews of financial performance take place during the year, including receiving income and expenditure reports, bank reconciliations and reviews of earmarked reserve balances. These documents are made available to the public for scrutiny as they are included as hyper links with the agendas.

The council holds circa £380,000 in earmarked reserves (EMR) at the date of the interim audit, spread across a range of clearly identifiable projects including circa £99,000 in a Community Infrastructure Levy (CIL) EMR. I checked the purpose of these projects with the Clerk and am satisfied that they are all legitimate future planned projects for the council.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide states '*the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure*' (para 5.33).

The council has an adopted Financial Reserves Policy which includes the following references to the level of general reserves:

- 6.1. *An Emergency or General Reserve will be held by the Town Council to cushion the impact of uneven cash flows, and the impact of unexpected, unforeseen, emergency and uninsured situations.*
- 6.2. *The level of General Reserves is a matter of professional judgement and so this policy does not attempt to prescribe a level. The primary means of building a General Reserve will be through reallocation of funds e.g. where a project comes under budget or through allocation from the annual budget.*
- 6.3. *If in the most extreme circumstances general reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its Earmarked Reserves to provide short-term resources.*
- 6.4. *The Council must at all times keep a minimum balance sufficient to pay two month's salaries to staff and associated expenses e.g. National Insurance, tax contributions and pensions.*

9.1. *The level of General Reserves is to be not less than sufficient to pay two month's salaries to staff and associated expenses and no more than 6 months operating costs, i.e. half the annual precept and in any year.*

At the start of the financial year, the council held circa £173,000 in the general reserve, which is in line with the JPAG guidance and the council's adopted policy.

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

Apart from the precept, the council has limited other income sources. It receives income from allotment rental, grants (including Community Infrastructure Levy funds), bank interest and VAT refunds. The allotment fees were reviewed and approved with an agreement to increase by 10% per annum until 2025.

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

F. PETTY CASH

Internal audit requirement

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

Audit findings

The council has no petty cash.

G. PAYROLL

Internal audit requirement

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

Audit findings

There are five employees, with a seasonal groundsman employed during the summer months. The council is registered with both LGPOS and NEST for pension provision for employees, which is due to be reviewed by council.

The council uses a third party for processing payroll, who calculates the PAYE and pension deductions. I reviewed the payroll summary and payslips for presented for the internal audit and the payroll deductions appear correct.

I note the council has an adopted Pay Policy which outlines equal pay guidelines and the Town Council's commitment to fair pay.

I reminded the Clerk that only salary, HMRC and pension payments should be included in box 4 on the Annual Governance and Accountability Return (AGAR) and any other staff costs should be recorded in box 6.

There are no councillor allowances.

H. ASSETS AND INVESTMENTS

Internal audit requirement

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

Audit findings

The council has a fixed asset register in place, maintained in the EDGE accounting software. This has been reviewed and updated extensively during the year to ensure the register includes all assets owned by the council. Assets are correctly listed at cost/proxy cost, or where gifted/donated, given a nominal £1 value for the purpose of the asset register. A check of the year-end asset register total will be conducted as part of the final internal audit.

The council has no borrowing nor long-term investments.

I. BANK AND CASH

Internal audit requirement

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

Audit findings

Financial Regulation 2.2 states 'On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman [or a cheque signatory] shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the council [Finance Committee].'

Bank reconciliations are completed monthly and presented to the Policy & Resources committee and council for review. I note these are approved in the subsequent minutes of the related meetings. I reviewed the reconciliations presented for the interim audit and was able to confirm the balances to the bank statements and found no errors.

I note that the reconciliations and accompanying statements have been reviewed by a councillor, and confirmation of this was witnessed in an email. The bank reconciliation has been signed, but the accompanying statement has not and evidence of this being completed by the end of the financial year will need to be provided to achieve a positive sign-off for this internal control objective and to comply with FR 2.2.

The council holds two accounts with Unity Trust and one with Redwood Bank. At the date of the interim audit, the balances held with Unity total circa £635,000 and £86,000 with Redwood Bank.

The Financial Services Compensation Scheme (FSCS) offers protection up to £85,000 per financial institution to Town and Parish Councils where their annual budgets are less than €500,000 (circa £430,000) and the council may wish to consider transferring funds to maximise the protection available to it if its budget remains below this threshold.

J. YEAR END ACCOUNTS

Internal audit requirement

Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

Audit findings

Testing to be conducted at final audit.

K. LIMITED ASSURANCE REVIEW**Internal audit requirement**

IF the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 AGAR tick “not covered”)

Audit findings

The council did not certify itself exempt in 2022/23 due to exceeding the income and expenditure limits and this test does not apply.

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

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

Audit findings

Testing to be conducted at final audit.

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

The authority has demonstrated that during summer 2022 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Audit findings

| Inspection – key dates | 2022/23 Actual |
|--|----------------|
| Date AGAR signed by council | 27 April 2023 |
| Date inspection notice issued | 30 April 2023 |
| Inspection period begins | 5 June 2023 |
| Inspection period ends | 14 July 2023 |
| 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 2022/23, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council.

N: PUBLICATION REQUIREMENTS

Internal audit requirement

The authority has complied with the publication requirements for 2022/23. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2023 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 2022/23, approved and signed, page 4*
- *Section 2 - Accounting Statements 2022/23, approved and signed, page 5*

Not later than 30 September 2023 authorities must publish:

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

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

Audit findings

I was able to confirm that the Notice of Public Rights is published on the council website along with the Notice of Conclusion of audit and External Auditor Report and I was able to confirm that the publication requirements for 2022/23 have been met.

O. TRUSTEESHIP

Internal audit requirement

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

Audit findings

The council has no trusts.

Achievement of control assertions at interim audit date

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

| | INTERNAL CONTROL OBJECTIVE | YES | NO | NOT COVERED |
|---|---|-----------------------------|----|-------------|
| A | Appropriate accounting records have been properly kept throughout the financial year | √ | | |
| B | This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for | √ | | |
| C | This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these | √ | | |
| D | The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate. | √ | | |
| E | Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for | √ | | |
| F | Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for | | | √ |
| G | Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied. | √ | | |
| H | Asset and investments registers were complete and accurate and properly maintained. | √ | | |
| I | Periodic bank account reconciliations were properly carried out during the year. | | √ | |
| J | Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded. | To be tested at final audit | | |
| K | If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2022/23 AGAR tick "not covered")</i> | | | √ |
| L | The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation | To be tested at final audit | | |
| M | The authority, during the previous year (2022-23) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> . | √ | | |
| N | The authority has complied with the publication requirements for 2022/23 AGAR. | √ | | |
| O | Trust funds (including charitable) – The council met its responsibilities as a trustee. | | | √ |

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

Your final audit date has been booked for Wednesday 3 April 2024 at 9.30 am at the Town Council Office.

Yours sincerely



Andy Beams
For Mulberry & Co

Interim Audit - Points Carried Forward

| Audit Point | Audit Findings | Council comments |
|--|--|-------------------------|
| B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS | Based on the level of financial activity of the council, these authorisation thresholds appear appropriate although the council may wish to consider increasing the Clerk's authorisation limit within FR 4.1 and 4.5 to a higher figure better aligned to the council's overall budget. | |
| I. BANK AND CASH | <p>I note that the reconciliations and accompanying statements have been reviewed by a councillor, and confirmation of this was witnessed in an email. The bank reconciliation has been signed, but the accompanying statement has not and evidence of this being completed by the end of the financial year will need to be provided to achieve a positive sign-off for this internal control objective and to comply with FR 2.2.</p> <p>The Financial Services Compensation Scheme (FSCS) offers protection up to £85,000 per financial institution to Town and Parish Councils where their annual budgets are less than €500,000 (circa £430,000) and the council may wish to consider transferring funds to maximise the protection available to it if its budget remains below this threshold.</p> | |