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Internal Audit Services at Mulberry & Co

Thank you for considering using Mulberry & Co to provide your council with an internal audit. 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.

Internal audit is an on-going function, undertaken regularly throughout the financial year, to test the continuing existence and adequacy of the authority's internal controls. It results in an annual assurance report to Members designed to improve effectiveness and efficiency of the activities and operating procedures under the authority's control.

The interim audit(s) will generally focus on the governance and accountability functions of the council rather than the financial elements. The conclusion of this review is a report providing the council with recommendations where applicable for the improvement of internal processes and assurance that the councils systems are fit for purpose and the possibility of the systems being prone to error or misstatement are low.

We are aware that not all councils elect to have an interim audit preferring to have just one audit conducted after the year end; however, this increases the risk that errors in the processes are not able to be rectified to show that for the year under review the council was compliant with regulations, leading to possible qualifications.

At Mulberry & Co we recommend that councils have at least two internal audits per annum with one in the autumn and one after the council year end. In some cases, your council may well have additional interim audits where there are significant areas to focus upon.

Our service **begins with the engagement process**, which includes our 'Internal Audit 2024/25' document where we will issue you with key information such as but not limited to:

- ✓ Location of audit
- ✓ Who will carry out the work,
- ✓ How long it will take
- ✓ Fees
- ✓ Your right to complain
- ✓ Audit plan
- ✓ Appendices containing information to prepare for audit

The audit team will **book the audit date(s) with the council and confirm in writing**, reminding councils of the checklist of items that should be prepared in advance of the audit visit.

Once a date has been booked the council should review **the formal audit plan** detailing the tests that will be carried out. This document is written such that it can be taken to council as part of the “review of the effectiveness of internal audit” function on the Annual Governance Statement. A sample of the plan is shown below.

Audit assertions	Recommended minimum testing
Appropriate books of account have been kept properly throughout the year.	<ul style="list-style-type: none"> • Ensure the correct roll forward of the prior year cashbook balances to the new financial year • Check a sample of financial transactions in cashbooks to bank statements, etc. The sample size dependent on the size of the authority and nature of accounting records maintained
The council’s financial regulations have been met, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.	<ul style="list-style-type: none"> • Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the Standing Orders and Financial Regulations which should be based on the latest version. • Ensure that consistent values are in place for the acquisition of formal tenders between Standing Orders and Financial Regulations (frequently different limits are recorded in the two documents) • Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment. Ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation • Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments • Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements • Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place

At the audit, we will start with a general conversation about how the year has gone and any issues you may have or need to bring to our attention. As part of this introductory phase, we will carry out “**Walk through testing**” designed to give us an insight as to how the councils financial systems and process operate and test any weaknesses. Based on these results we will decide if further “**Substantive Testing**” is required or whether we can rely on the internal controls already evidenced.

At the interim visit we review and perform tests on the following areas:

- Review of the Financial Regulations and Standing Orders
- Review of the Risk Assessments
- Review of the budgeting process
- Proper bookkeeping – review of the use of the accounts package.
- Review of salaries
- Review of fixed asset register

We will then prepare an interim audit report which will summarise our findings in each of the areas we have to sign off on the AGAR as internal auditor. We will as part of this report produce a table of recommendations for council and provide an opinion of the internal processes and procedures of the council. A sample of the report is shown at the end of this document.

At the final visit we review and perform tests on the following areas:

- Review of annual accounts & Annual Governance and Accountability Return (AGAR)
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

We will then prepare the final audit report, taking into account any actions taken by the council as a result of the interim audit, and sign the Annual Internal Audit Report page of the Annual Governance and Accountability Return (AGAR).

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

Audit findings

The council continues to use RBS as a day-to-day accounting package. This is a tried and tested industry specific package and I make no recommendation to change. The system is used daily to report on and record the financial transactions of the council. There are three users with their own individual logons.

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM AND FINAL AUDIT)

Audit findings

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

The external auditors report was not qualified in 2020/21. This was reported to council in November 2021. Evidence was also noted in the minutes of the internal auditor's report being reviewed and accepted. The notice of conclusion of audit and audited AGAR have been posted to the council website.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that Councillors sign "Acceptance of Office" forms and register of members interests, in line with regulations. **The councillors will need to sign acceptance to receive information by electronic means.** I have provided some sample wording below for council consideration.

"As per Schedule 12 of the Local Government Act 1972, I consent to the receipt of all council meeting papers by electronic methods. I understand I may withdraw this consent at any time."

All our reports are delivered via a secure on-line portal called "Iris Openspace" that only the Clerk/RFO has password access to. These reports will be in PDF format but can be printed or emailed as desired.