



6 Uplands Road  
Farnham GU9 8BP

Lisa O Sullivan  
Clerk to Haslemere Town Council

21 April 2021

Dear Lisa

### **Haslemere Town Council - Internal Audit 2020-21**

The internal audit of Haslemere Town Council for the 2020-21 financial year is now complete. I am pleased to be able to report that I have signed off the attached internal audit report with no comments. The final audit was again carried out remotely due to pandemic restrictions.

As stated in the engagement letter, the scope of our work is limited to completing the audit testing and enquiries we deem necessary to complete Section 4 of the Annual Report for Local Councils in England. We do not provide assurance over or accept responsibility for areas of work not included in this scope, unless specifically agreed with the Council during the financial year.

In providing internal audit services we are not conducting a financial statement audit in accordance with standards and guidelines issued by the Audit Practices Board and our procedures are not designed to provide assurance over the reliability and quality of your financial statements and management information – that is the job of external audit.

We are required by the Annual Internal Audit Report included in the Annual Governance and Accountability Return (AGAR) to review controls in place at the Council against predefined control assertions. These control assertions are set out below, together with the results of my internal audit work for 2020-21.

The audit was carried out in two stages. The interim audit carried out remotely on 24 November 2020 concentrated on in year financial transactions and governance controls. The final audit was carried out remotely, due to Covid 19 restrictions. This work was carried out during the week of 16 April 2021 and concentrated on the statement of accounts and balance sheet.

I would like to thank Lisa for her assistance with the audit, and diligence in ensuring the Council has maintained robust financial controls throughout this difficult time.

## **A. Books of Account**

### **Interim Audit**

The Council continues to use RBS, an industry specific accounting package. The RBS system is used to report and record the financial transactions of the Council and a review of the cashbook shows that all data fields are being entered. My audit testing showed that supporting documentation could be readily located from records recorded on RBS. I make no recommendation to change in this system.

I confirmed that the Council has correctly loaded the audited accounts, annual governance statement and audit certificate for 2019-20 on to the Council website. The conclusion of audit certificate has been correctly published, with a date of 20 November , in advance of the 30 November deadline. The Council received a clear audit certificate from the external auditors so there are no matters to be taken into consideration in 2020-21. The audit certificate will be reported to Council in due course. I tested opening balances as at 1.4.20 and confirmed they could be agreed back to the audited accounts for last financial year.

I confirmed that the Council's VAT returns are up to date, with VAT claimed to the end of September 2020. I checked that figures in the VAT return have been derived directly from the RBS system and confirmed with the Clerk that the return been submitted to HMRC.

I note that the Council is compliant with the 2015 Transparency Code. A transparency statement has been produced, showing where the Council publishes all information required by the Code. I confirmed data on expenditure transactions above £500 is up to date. The grants page on the financial information page on the website is not up to date. This should be updated as part of the website refresh being worked on at present.

### **Final Audit**

The accounting statements have been agreed back to balance sheet and income and expenditure reports produced from the RBS Accounting system. All comparatives reported in the financial statements have been agreed back to the audited 2019-20 accounts as published on the Council website.

I confirmed that the year-end VAT return has been completed and submitted to HMRC. VAT due per the balance sheet has been agreed to the relevant nominal ledger account and to the completed VAT return, together with a supporting schedule of transactions on the RBS accounting system.

The Council reviewed my interim audit report at the January 2021 meeting of Full Council.

I am satisfied that the Council has met this control objective.

## **B. Financial Regulations & Payments**

### **Interim Audit**

The Council has a well organised system in place in respect of policies and procedures and the Clerk is very experienced in this regard. All key Council policies are reviewed at least every 4 years. A schedule is maintained and monitored by Finance and Governance Committee. The Financial Regulations may need an additional review in the next 12 months as contract rules may change due to the impact of Brexit.

The Council has a robust process for authorisation of payments to suppliers. The Council approves expenditure via the annual budget process, by notification in the minutes and by a dual signature process by councillors, who complete sign off of the physical payment via on line banking, after review of invoices included in emailed invoice pack. Payments are then taken to a meeting of the council for retrospective approval and recording in minutes. I make no recommendation to change this effective system.

I tested a sample of payments selected at random from the cashbook for the first 6 months of 2020-21. For all payments tested I was able to confirm

- Payment per cash book agreed to invoice or minute (for grants)
- VAT correctly accounted for
- Expenditure appropriate for this council
- Payment approved at bank by 2 councillors ( I reviewed audit history for a single payment on the Council's bank account as a compliance test)

I confirmed by reference to minutes that the Council has approved all payments via inclusion of cash book extracts in minutes of Council meetings, and appropriate reference to the cashbook within the minutes.

### **Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £234,174, up from £195,338 in 2019-20.

As a larger Council, with income / expenditure in excess of £200K, Haslemere is required to follow the 2015 Transparency Code. The Council meets this code by publishing financial data on the Finance page on the website. I sample checked data reported on this webpage, and whilst I am satisfied that the Council is largely compliant with requirements of the Code, some information reviewed is not up to date:

- Grant information published is for 19-20 financial year
- Transparency compliance report has not been updated since 2018

This information should be brought up to date and a check carried out to make sure all other Transparency Code information is up to date.



I selected a further sample of expenditure transactions from the ledger for the final 4 months of the financial year. For all transactions tested I was able to confirm that:

- Transactions could be agreed back to invoice
- Payment approved at a meeting of the Council

I confirmed by compliance test that the Council continues to approve payments by electronic sign off at bank by 2 councillors.

I have one recommendation. The accounts include a creditor of £5,438 for unused Mayor's Allowance, which is due to be paid over to the Mayor's choice of charity. For clarity, I recommend that decisions on unspent mayor's allowance should be evidenced by confirmation from the Mayor of the balance outstanding and how the allowance is to be utilised.

I am satisfied that the Council is meeting this control objective.

### **C. Risk Management & Insurance**

#### **Interim Audit**

The Council undertakes a full risk assessment annually. I have confirmed with the Clerk that the risk assessment will be approved at the January 2021 meeting of the Full Council. I will review this at my final audit visit. I note a Covid 19 risk assessment for the Town Hall has been carried out and is published on the website.

I have confirmed that the Council has a valid insurance certificate, with an expiry date of April 2020, insurance is held with Zurich Municipal. The Council reviews its insurance requirements as part of the renewal process. Money cover is currently set at £500K. I confirmed that asset cover is consistent with the Council's asset register. My review of the cashbook has not identified any material asset additions.

#### **Final Audit**

The Council risk assessment has been subject to further review in at the Full Council meeting in January 2021. Council approval of the risk assessment was confirmed in a minute of this meeting. I have reviewed the risk assessment and it appears comprehensive. There is evidence of update, notably to reflect the ongoing risks arising from the pandemic.

I am satisfied that this control objective is being met.

### **D. Budget, Precept & Reserves**

#### **Interim Audit**

I confirmed that the 2021-22 budget and precept setting process was well underway at the time of our interim audit. I note from discussion with the Clerk that reserves budgeting is being considered as part of budget setting for 2020-21. A budget working party is currently working on the 21-22 budget, and minutes from the September meeting of Full Council list projects identified for consideration in budget planning. Final approval of budget and precept will be actioned at the January meeting of Full Council, once council tax base has been confirmed by Waverley. All precepting authority deadlines should be met.

The Council budget for 20-21 was set to produce a surplus in the region of £55K. I reviewed the detailed budget monitoring report for the period to end of September 2020, which was presented to Full Council in November. I noted no significant adverse variances. No amendments to the budget have been made in response to the Covid pandemic, this is consistent with the low level of non-precept income at HTC.

The Council was able to demonstrate that budget monitoring reporting to members is completed to each bi-monthly Full Council meeting. Reporting is comprehensive and is appropriately minuted. I have no recommendations to make in this area.

### **Final Audit**

Reserves at 31 March 2020 were £408,783 (2019-20 £355,785).

General reserves at year end were £146,634. This represents 42 % of precept, which is in line with recommended levels set out in the NALC Practitioners' Guide. Earmarked reserves of £262K are set aside to fund future projects and to support fixed assets such as the town hall. These are well managed.

I have confirmed by review of minutes that the Council approved the budget and precept for 21-22 at the January 21 meeting of Full Council.

I am satisfied that this control objective is being met.

### **E. Income**

Precept per box 2 to the accounts was £349,530 (2019-20 £311,123). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £68,728 (2019-20 £23,532). The increase is due to higher Community Infrastructure Levy (CIL) and grant income in 2020-21.

I tested a sample of income transactions amounting to £46K from the income transaction listing on the Council's accounting system, In all cases I was able to confirm the credits recorded on the cashbook to remittance advice notes from external bodies (mainly Waverley BC).

I am content that this control objective has been met.

### **F. Petty cash**

The Council does not use petty cash.

### **G. Payroll**

#### **Interim Audit**

Payroll is processed by an external agency. I carried out testing of payments made to staff in August 2020. I agreed ledger payments back to payroll information produced by the payroll agency for all staff members. I tested that:

- Net pay per cashbook agreed back to payslips

- Basic pay per payroll could be reconciled back to appropriate NJC pay grade once working hours adjustments had been made.
- NALC grades and therefore rates of pay for all staff approved in minute of the staffing committee

### **Final Audit**

Staff costs per box 4 to the accounts were £117,654 ( 2019-20 £93,490). The increase is largely explained by the recruitments of a new staff member in 20-21. No further testing was carried out at final audit, as sufficient assurance was obtained at interim audit.

I am content that this control objective has been met.

### **H. Assets and investments**

#### **Final Audit**

Fixed assets per box 9 to the accounts were £ 593,070 ( 2019-20 £570,481) I have agreed the balance in the accounts back to the asset register. The asset register appears complete and to record assets at cost or proxy cost, as required by regulations.

Changes in asset register value year on year are supported by schedules of assets added and removed from the asset register, again at cost. I have reviewed the following changes in 20-21:

- Transfers to HTC from Waverley of 5 parcels of community land. These have been correctly added to the asset register at the proxy cost of £1. This is in line with accounting requirements for Town Councils.
- New assets amounting to £22,589. These assets include CCTV and playground equipment purchased in 20-21. These have correctly been added to the asset register at cost.

There have been no asset write-offs in year.

I am satisfied that the asset register can be reconciled to the fixed asset balance recorded in the accounts.

### **I. Bank reconciliations**

#### **Interim Audit**

The Council has 5 bank accounts. 2 held with Unity Bank, the remainder with United Trust / Nationwide Building Society / Tridos Bank.

I re-performed the September bank reconciliation. I found no error in the reconciliation and confirmed that the reconciliation is subject to appropriate councillor review, evidenced by

signature on the face of both the reconciliation and the bank statements. Annual statements only are issued by Tridos / United Trust and Nationwide, I will check the reconciliations against 2020-21 annual statements at my final audit.

I am satisfied that the Council is meeting this control objective.

**Final Audit**

Cash per box 8 to the accounts was £411,794 (2019-20 £360,512)

I reperformed the year end bank reconciliation. For all bank accounts I was able to agree the balance on the bank reconciliation back to bank statements and cashbook balances recorded on RBS.

I note that year end bank statements for the Tridos and United Trust reserve accounts are not available. I have therefore had to agree bank balances to annual statements supplied by the bank. The external auditors may require year end statements to be obtained as part of their audit processes.

Loans outstanding at year end per box 10 to the accounts were £267,687 (2019-20 £269,662). This has been agreed to the year end loans statement supplied by Public Works Loans Board.

I am satisfied that the Council is meeting this control objective.

**J. Year-end accounts**

Haslemere has produced accounts on an accruals basis, this is required as income / expenditure is above £200k. A reconciliation between Box 7-8 of the accounts has been prepared, and creditor and debtor listings support this reconciliation.

An explanation of year-on-year variances has also been prepared and provides detailed explanations for review by external audit.

I am satisfied this control objective has been met.

**M: Arrangements for Inspection of Accounts**

Inspection periods for 2019-20 accounts were set as follows

Inspection - Key date	2019-20 Actual
Accounts approved at Full Council	28 May 2020 Full Council
Date Inspection Notice Issued and how published	1 July noticeboards and website
Inspection period begins	1 July
Inspection period ends	11 August
Correct length	Yes



I can confirm that regulations were followed in this respect and that the Council can therefore sign off that it has met control objective 4 on the annual governance statement.

**N: Publication requirements 2019 AGAR**

The Statement of Accounts, Annual Governance Statement and the external audit certificate are published on the accounts page of the Council website. The Conclusion of Audit certificate is also published, dated 20 November 2020, before the statutory deadline of 30 November.

**O. Trusteeship**  
**Interim Audit**

The Council is Trustee of Village Green at Shottermill Trust – Charity 305043. The annual return for 2019-20 was sent to the Charity Commission in June 2020, comfortably in advance of the statutory deadline. I have checked this to the Charity Commission website. I confirmed that separate accounts are maintained for the Trust.

I would like to take this opportunity to thank Lisa for her assistance with the audit. I attach my invoice, and the internal audit report from the AGAR for your consideration. Please do not hesitate to contact me if I can be of any assistance, and I look forward to working with you in 2021-2.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Platten'.

Mike Platten CPFA



**Points Forward – Action Plan - Final Audit**

<b>Matter Arising</b>	<b>Recommendation</b>	<b>Council Response</b>
<p>I sample checked data reported on this webpage, and whilst I am satisfied that the Council is largely compliant with requirements of the Code, some information reviewed is not up to date:</p> <ul style="list-style-type: none"> <li>- Grant information published is for 19-20 financial year</li> <li>- Transparency compliance report has not been updated since 2018</li> </ul>	<p>This information should be brought up to date and a check carried out to make sure all other Transparency Code information is up to date.</p>	
<p>I have one recommendation. The accounts include a creditor of £5438 for unused Mayor's Allowance, which is due to be paid over to the Mayor's choice of charity.</p>	<p>For clarity, I recommend that decisions on unspent mayor's allowance should be evidenced by confirmation from the Mayor of the balance outstanding and how the allowance is to be utilised.</p>	

# Annual Internal Audit Report 2020/21

## HASLEMERE TOWN COUNCIL

<https://haslemeretc.org/>

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

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 assessed 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.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")			✓
L. If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities.			✓
M. The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2019/20 AGAR (see AGAR Page 1 Guidance Notes).	✓		
<b>O. (For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes ✓	No	Not applicable

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

24/11/2020 21/04/2021

Name of person who carried out the internal audit

M PLATTEN CPFA

Signature of person who carried out the internal audit



Date

21/04/2021

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).