

Lisa O Sullivan  
Clerk to Haslemere Town Council

27 - 29 Vauxhall Grove  
London, SW8 1SY

+44 (0) 207 820 62 90

info@farsightconsulting.co.uk

www.farsightconsulting.co.uk

6 May 2020

Dear Lisa

### **Haslemere Town Council - Internal Audit 2019-20 – Final Audit Report**

The internal audit of Haslemere Town Council for the 2019-20 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.

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 2019-20.

The audit was carried out in two stages. The interim audit visit on 24 October 2019 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 on 30 April 2020 and concentrated on the statement of accounts and balance sheet.

#### **Guidance on sign off of the AGAR**

External audit (PKF) have provided advice on sign off procedures for the 2019-20 AGAR. These are set out below

“there are no changes in the requirement for wet signatures on the AGAR. Our understanding is that wet signatures need to be added to the AGAR in the same order as previous years and that the AGAR will need to be passed between the relevant individuals for signature. Where individuals are self-isolating it is hoped that local assistance will be available to facilitate this. “

I will leave the Council to work out if this is achievable, given restrictions currently in place, but please do not put yourselves at risk to comply with this minor administrative requirement.

I set out a detailed schedule of recommendations for consideration by Councillors at Appendix A to this letter.

## **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 2018-19 on to the Council website. The conclusion of audit certificate has been correctly published, with a date of 25 September, in advance of the 30 September deadline. The Council received a clear audit certificate from the external auditors so there are no matters to be taken into consideration in 2019-20. The audit certificate was reported to the September 2019 meeting of Full Council and minuted appropriately.

I tested opening balances as at 1.4.19 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 2019. I checked that figures in the VAT return have been derived directly from the RBS system and 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 reviewed all internal audit recommendations raised last year, and I am satisfied that these have now been implemented -see appendix B.

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

### **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 2018-19 accounts as published on the Council website. Arithmetic within the accounts has been checked and found to be correct

The Council reviewed my interim audit report at the November meeting of Full Council. Both recommendations have been implemented and the review of my report was properly minuted.

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

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

### **Interim Audit**

The Council has a robust system in place in respect of policies and procedures and the clerk is very experienced in this regard. Financial Regulations were reviewed at the September 2019 meeting of Full Council and amendments recommended by NALC were adopted. Standing orders were approved at the March 2019 meeting.

I confirmed by sample testing that Councillors have all signed "Acceptance of Office" forms, in line with regulations. These were signed by both the clerk and the relevant councillor.

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 2019-20. For all payments tested I was able to confirm

- Payment per cash book agreed to invoice
- VAT correctly accounted for
- Expenditure appropriate for this council
- Payment approval noted in minutes
- Payment approved at bank by a councillor ( I reviewed audit history for each payment on the Council's bank account)

I note that the council only obtained 1 quote for work carried out by Wallgate Ltd at Council toilets. I understand this is due to the technical nature of this work. Where a decision is made to place work without obtaining competitive quotes, then this decision should be recorded in minutes

### **Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £195,338 , up from £184,278 in 2018-19.

As a larger Council, with income / expenditure in excess of £200K, Haslemere is required to follow the 2015 Transparency Code. Haslemere meets this code by publishing an annual report showing how the Council has complied with the requirements of the Transparency Code. At the time of my audit, the 2019-20 refresh of this document had not been complete. This should be done before the AGAR is submitted for external audit.

I selected a further sample of transactions for the last 5 months of the financial year. For all transactions tested I was able to confirm that:

- Payment per cash book agreed to invoice
- VAT correctly accounted for
- Expenditure appropriate for this council

I am satisfied that the Council has met 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 2020 meeting of the Full Council. I will review this at my final audit visit.

I have confirmed that the Council has a valid insurance certificate, with an expiry date of April 2020, this is the second year of a three-year deal. 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 and insurance has been updated for recent asset purchases.

### **Final Audit**

The Council reviewed the risk assessment at the Full Council meeting of January 2020 and this review was properly minuted. I have reviewed the risk assessment; it is a detailed document and covers risks appropriate for a council of this level of activity. The risk assessment is clearly taken seriously and there is of proper annual review to ensure that it takes account of changing circumstances at the Council.

I am satisfied that this control objective is being met.

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

### **Interim Audit**

I confirmed that the 2020-21 budget and precept setting process was well underway at the time of our interim audit, I note that reserves budgeting is being considered as part of budget setting for 2020-21. 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. The Council set a balanced budget for 2019-20. I reviewed the detailed budget monitoring report for the period to end of September 2019, I noted no significant adverse variances. 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 £355,785 (2018-19 £323,390).

Of this, £147K is held in earmarked reserves, with £206K in the general reserve. General reserves are therefore 66% of precept. This is a little high, I would expect general reserves not to exceed 50% of precept. I therefore recommend that the Council reviews reserves in the course of 2020-21 to ensure all earmarked reserves have sufficient funding (for example election reserve is £6K but cost this year was £15K), and to set up new reserves where the Council has plans for monies held.

I confirmed that the budget was set at the January meeting of Full Council and all precepting authority deadlines were therefore met.

I am satisfied that this control objective is being met.

## **E. Income**

### **Final Audit**

Precept per box 2 to the accounts was £311,123 (2018-19 £308,858). This has been agreed to third party documentation provided by external audit.

Other income per box 3 to the accounts was £23,352, down from £40,422 in 2018-19.

I carried out a small sample test of non-precept income. For all items sampled I was able to agree credit in the cashbook back to invoice or remittance advice note. I am satisfied that the Council has met this control objective.

#### **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 July 2019. I agreed ledger payments back to payroll information produced by the payroll agency. I tested that:

- Net pay per cashbook agreed back to payroll
- Basic pay per payroll could be reconciled back to appropriate NALC pay grade once working hours adjustments had been made. I exception – see below
- NALC grades and therefore rates of pay for all staff approved in minute of the staffing committee

I note an error in the minutes of the staffing committee – the clerk's salary was set at NALC scale 41 in minutes, but the clerk is being paid at scale point 42. This should be reviewed at the next available Full Council meeting and the correct scale point should be recorded in minutes.

##### **Final Audit**

Staff costs per box 4 to the accounts were £93,490 ( 2018-19 £89,549). I have confirmed that the error in recording clerk's pay in minutes has been rectified. 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**

##### **Interim Audit**

The Council has a detailed fixed asset register in place. Assets are correctly stated at historic or proxy cost. I will carry out detailed testing of the asset register at year. I understand that there is a potential land and asset transfer from the district council this financial year, and that this transfer may be at no cost to the Council, If this is the case the assets should be brought into the asset register at a proxy cost of £1.

##### **Final Audit**

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. £11k increase in asset register is mainly due to purchase of a new shed at the allotments and washing facilities at public toilets.

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 3 bank accounts 2 held with Unity Bank, and 1 with the United Trust. 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 statement. I noted by review of the agenda for the September 2019 Full Council that the bank reconciliations continue to be properly considered at Council meetings.

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

### **Final Audit**

Cash per box 8 to the accounts was £360,512 (2018-19 £317,180)

I re-performed 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 £269,662 (2018-19 £271,559). 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**

### **Final Audit**

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 can be agreed to supporting schedules of debtors and creditors.

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.

## **K. Trusteeship**

### **Final Audit**

The Council is Trustee of Village Green at Shottermill Trust – Charity 305043. The annual return for 2018-19 was sent to the Charity Commission before the statutory deadline - I

have checked this to the Charity Commission website. I confirmed that separate accounts are maintained for the Trust.

## **L: Arrangements for Inspection of Accounts** **Final Audit**

Inspection periods for 2018-19 accounts were set as follows

<b>Inspection - Key date</b>	<b>2018-19 Actual</b>
<b>Accounts approved at Full Council</b>	16 May 2019 Full Council
<b>Date Inspection Notice Issued and how published</b>	14 June 2019 - noticeboards and website
<b>Inspection period begins</b>	17 June 2019
<b>Inspection period ends</b>	26 July
<b>Correct length</b>	Yes - 30 working days
<b>Common period included?</b>	Yes – 1 <sup>st</sup> 2 weeks of July

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 – inspection rights.

I recommend that the Clerk takes care to set the inspection period correctly for the 2019-20 accounts, due to the exceptional circumstances in place due to Covid 19. Guidance from external audit can be found at <https://www.pkf-littlejohn.com/services-limited-assurance-regime-useful-documents-and-links>

I would like to take this opportunity to thank Lisa for her assistance with the audit. I attach my invoice 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 2020-1.

Yours sincerely

*M Platten*

Mike Platten CPFA



### Points Forward – Action Plan - Interim Audit

<b>Matter Arising</b>	<b>Recommendation</b>	<b>Council Response</b>
I note that the council only obtained 1 quote for work carried out by Wallgate Ltd at Council toilets. I understand this is due to the technical nature of this work	Where a decision is made to place work without obtaining competitive quotes, then this decision should be recorded in minutes	<b>Agreed and noted at November 2019 Full Council</b>
I note an error in the minutes of the staffing committee – the Clerk’s	This should be reviewed at the next available Full Council meeting and the correct scale	<b>Minute corrected at November 2019 meeting of Full Council</b>

salary was set at NALC scale 41 in minutes, but the clerk is being paid at scale point 42.	point should be recorded in minutes.	
--	--------------------------------------	--

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

<b>Matter Arising</b>	<b>Recommendation</b>	<b>Council Response</b>
At the time of my audit, the 2019-20 refresh of the Transparency report document had not been complete.	This should be done before the AGAR is submitted for external audit.	
General reserves are 66% of precept. This is a little high, I would expect general reserves not to exceed 50% of precept.	I therefore recommend that the Council reviews reserves in the course of 2020-21 to ensure all earmarked reserves have sufficient funding	