

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

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Dear Lisa

Haslemere Town Council - Internal Audit 2020-21
Interim Audit Report

Following the virtual interim audit completed on 24 November, I attach my report for consideration by the Council. This was the first of two audits I intend to carry out to support my opinion on the 2020-21 Annual Governance and Accountability Return (AGAR). I covered the following at this visit:

- Review of opening balances and reporting of 2019-20 audit opinion
- Follow up previous recommendations
- Testing of expenditure first 6 months of financial year
- Risk management and insurance
- Salaries and Wages
- Budget monitoring reports
- Bank reconciliations.

I am satisfied that a robust system of financial control is in place at the Council. I have no recommendations at this point.

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. The internal audit reports should therefore be made available to all members to support and inform them when they are considering the Authority's approval of the annual governance statement.

I am required by Section 4 of 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 testing carried out at the interim audit.

I would like to thank Lisa and Pippa for their 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.

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. 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.

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.

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.

I will review reserves balances at my year end audit. I am satisfied that this control objective is being met.

E. Income

To audit at financial year end

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

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

H. Assets and investments

Test at year end

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.

J. Year-end accounts

Year end task

K. 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.

L: Arrangements for Inspection of Accounts

Interim Audit

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.

I will invoice you after the year end audit. I would like to take this opportunity to thank you for your help in the course of this audit. Please do not hesitate to contact me if I can be of any assistance

Yours sincerely



Mike Platten CPFA

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
None		