



6 Uplands Road  
Farnham GU9 8BP

Lisa O Sullivan  
Clerk to Haslemere Town Council

3 May 2022

Dear Lisa

**Haslemere Town Council - Internal Audit 2021-22**  
**Interim Audit**

The internal audit of Haslemere Town Council for the 2021-22 financial year is now complete. I am pleased to be able to report that I have signed off the internal audit section of the Annual Governance and Accountability Return (AGAR) for 2021-22 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 2021-22.

The audit was carried out in two stages. The interim audit was carried out remotely on 8 November 2021, this concentrated on in year financial transactions and governance controls. The final audit was carried out remotely. This work was carried out during the week of 25 April 2022 and concentrated on the statement of accounts and balance sheet.

## **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, and all key reconciliations were up to date.

I tested opening balances on the RBS system at 1.4.21 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 2021. 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. The VAT refund has been checked to receipt at bank on 8.10.21

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. Further checks will be carried out at year end, after annual updates should have been completed.

### **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 2020-21 accounts, as published on the Council website.

The Council's year end VAT return has been completed, and VAT reclaimed can be agreed to a schedule of transactions extracted from RBS. VAT outstanding on the balance sheet agrees to the VAT return. The VAT return was submitted to HRMC on 21 April.

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

I am satisfied that the Council 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 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 three 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 ( one payment had not yet been presented – it is due at the next council meeting ) .

### **Final Audit**

Non pay expenditure per box 6 to the accounts amounted to £363,933, up from £234,174 in 2020-21. This is partly explained by the inclusion of the £81,427 United Trust 2 year investment as expenditure in 21-22. See section I on bank reconciliations for details.

I tested a further sample of expenditure transactions selected at random from cashbooks for months 6-12 of the financial year. For all transactions sampled, I was able to confirm the following:

- Payment per cash book agreed to invoice or approval in 21-22 budget (CAB grant and Christmas Lights Beacon Hill)
- VAT correctly accounted for
- Expenditure appropriate for this council
- Payment approved at bank by 2 councillors ( I reviewed audit history for one transaction 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 ( one payment had not yet been presented – it is due at the next council meeting ) .

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 2022 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 31 March 2022, 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.

### **Final Audit**

The Council completed the annual risk management review at the Full Council meeting in January 2022. The risk management review is a comprehensive document, setting out the Council's approach to identifying and managing risk and controls in place to mitigate against these risks. There is evidence of update in year, and a minute records the Council's review.

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

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

### **Interim Audit**

I confirmed that the 2022-23 budget and precept setting process was well underway at the time of our interim audit. A budget working party is currently working on the 22-23 budget, and a draft budget is due to be presented to the November meeting of Full Council. An additional Full Council meeting is available in January for final approval of budget and precept. All precepting authority deadlines should be met.

The Council budget for 21-22 was set to produce a deficit in the region of £30K. I confirmed the Council received a budget monitoring report at the September meeting of Full Council, this covered the period to the end of August 2021. I noted no significant adverse variances.

### **Final Audit**

Reserves at 31 March 2022 were £362,078 (2020-21 £408,783). The reduction in reserves is partly explained by the transfer of the £81,427 United Trust 2-year investment out of reserves and on to the asset register. See section I on bank reconciliations for details. I have included this investment when considering Council reserve balances.

General reserves at year end were £175K This represents 47 % of precept, which is in line with recommended levels set out in the NALC Practitioners' Guide. The Council held earmarked reserves of £268K at 31.3.22. These are held for a number of reasons;

- to cover the outstanding PWLB loan
- to support the Council's fixed asset base
- to set aside funds that can only be used for specific purpose, such as CIL monies

Earmarked reserves were considered as part of the 22-23 budget setting process. The Budget Working Party reported on the Council's reserve position. The Council agreed the budget for 22-23 at the Full Council meeting in January 2022. A precept of £370,937 was agreed for the forthcoming financial year. All precepting authority deadlines were met.

I am satisfied that this control objective was met.

## **E. Income**

### **Interim Audit**

I selected a small sample of income transactions from the cashbook for the first 6 months of the financial year.

- WBC receipt -£9,461 RHSS funding – agreed to remittance advice
- Receipt from Funfair – agreed to banking deposit slip
- Stall holder fee – agreed to signed booking form, including approved fee

I was able to agree items sampled to relevant supporting documentation

### **Final Audit**

Precept per box 2 to the accounts was £366,932 (20-21 £349,350). This has been agreed to third party documentation provided by external audit.

Income per box 3 to the accounts was £94,849 (20-21 £68,727).

I tested a sample of income transactions from the cashbooks for months 6-12 of the financial year, transactions tested amounted to £ 44K. For all transactions tested I was able to confirm that the cashbook transaction agreed to third party evidence, such as remittance advice or letter of grant award from Waverley.

I am satisfied that this control objective was met.

## **F. Petty cash**

The Council does not use petty cash.

## **G. Payroll**

### **Final Audit**

Staff costs per box 4 to the accounts were £131,121 (20-21 £117,654). I have reviewed RBS reports and it appears that correct costs have been included within the staffing costs cell on the statement of accounts.

Payroll is processed by an external agency. I carried out testing of payments made to staff in July 2021. I agreed ledger payments back to payroll information produced by the payroll agency for 3 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 also confirmed payments had been made to HMRC and to the Pension Fund and that payments agreed to the payroll summary.

The Clerk confirmed that information was submitted to Surrey Pensions with regard to the Mccloud pension judgement before the deadline of 31 October.

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

## **H. Assets and investments**

### **Final Audit**

Fixed assets per box 9 to the accounts were £ 690,836 ( 20-21 £593,070). This figure has increased due to the inclusion of the United Trust Investment on the fixed asset register.

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, with sufficient detail to locate all assets listed.

Changes in asset register value year on year are supported by schedules of assets added and removed from the asset register, again at cost. Fixed assets increased by £16,340, there is a schedule of assets added to the asset register to support this change, mainly a £12k air conditioning unit.

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 6 bank accounts. 2 held with Unity Bank, the remainder with United Trust / Nationwide Building Society / Tridos Bank.

I re-performed the September 2021 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 annual statements at my final audit.

I note the Tridos investment matures on 20.22.21, and a decision on where to invest this deposit will need to be made at this point

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

### **Final Audit**

Borrowings per box 10 to the accounts were £265,632 (20-21 £ 267,687) This has been agreed to the year end PWLB loan statement published on the Debt Management Office website.

Cash per box 8 to the accounts was £356,714 (20-21 £411,794) I reperformed the year end bank reconciliations

<b>Account</b>	<b>Cashbook Balance at 31 March 2022</b>	<b>Reconciliation review by Internal Audit</b>
Unity Current	£3,808	Agreed to bank reconciliation, RBS accounting system and bank statement
Unity Deposit	£95,896	Agreed to bank reconciliation, RBS accounting system and bank statement
Nationwide	£85,298	Agreed to bank reconciliation, RBS accounting system and bank statement
Tridos	£86,710	Agreed to annual statement dated 31.12.21, RBS accounting system and bank statement
Cambridge BS	£85,000	Agreed to bank reconciliation, RBS accounting system and bank statement
United Trust	£81,426	Agreed to investment notice dated 4.5.21

All year end reconciliations had been reviewed by Councillor Round.

I noted that the United Trust investment is a 2 year investment. This investment cannot be accessed by the Council until May 2023, so should be considered a long-term investment at 31 March 2022 under the accounting requirements set out in JPAG's Practitioners' Guide. The accounts were amended. The impact of this adjustment was as follows

- Increase Expenditure ( Box 6) and reduce Reserves ( Box 7) by £81K as this transaction must be expensed to enable a transfer on to the asset register
- Reduce Cash ( box 8) and increase Fixed Assets ( box 9) as the investment must be moved on to the asset register as maturity date is more than 12 months away at balance sheet date

These entries will need to be reversed in 22-23, with the investment credited to income and removed from the asset register, as it will revert to short term investment status at next balance sheet date.

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

**J. Year-end accounts**

**Final Audit**

Haslemere TC 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, for external audit review, 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.

**L: : The Authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements**

As a larger Council, with income / expenditure in excess of £200K, Haslemere is required to follow the 2015 Transparency Code. I was able to confirm that data required by the Code could be located at various pages on the Council website, and specifically confirmed that the following information was up to date

- Grants awarded
- Payments over £500

The Council publishes a narrative report each year showing how it has met the requirements of the Code. This needs to be updated as the published report is dated May 2021.

**M: Arrangements for Inspection of Accounts**

Inspection periods for 2020-21 were set as follows

Inspection - Key date	2020-21 Actual
Accounts approved at Full Council	13 May 2021 Full Council
Inspection period begins	14 June
Inspection period ends	23 July
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 2020 AGAR**

I confirmed that the Council has correctly loaded the audited accounts, annual governance statement and audit certificate for 2020-21 on to the Council website. The conclusion of audit certificate has been correctly published, with a date of 27 August, 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 2021-2. The audit certificate was reported to Council at the September meeting.

**O. Trusteeship**

The Council is Trustee of Village Green at Shottermill Trust – Charity 305043. The 20-21 annual return was submitted on 22 December 2021, before the regulatory deadline. The council continues to account for the charity separately from the Town Council.

I would like to take this opportunity to thank you and Pippa for your assistance with the audit. I attach my invoice together with the completed internal audit report from the AGAR.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Platten', written in a cursive style.

Mike Platten CPFA

**Points Forward – Action Plan -**

<b>Matter Arising</b>	<b>Recommendation</b>	<b>Council Response</b>
<p>The Council publishes a narrative report each year showing how it has met the requirements of the Transparency Code.</p>	<p>This needs to be updated as the published report is dated May 2021.</p>	
<p>I noted that the United Trust investment is a 2 year investment. This investment cannot be accessed by the Council until May 2023, so should be considered a long-term investment at 31 March 2022 under the accounting requirements set out in JPAG’s Practitioners’ Guide. The accounts were amended.</p>	<p>These entries will need to be reversed in 22-23, with the investment credited to income and removed from the asset register as it will revert to short term investment status at balance sheet date.</p>	