

Lisa O Sullivan
Haslemere Town Council

28 April 2023

Dear Lisa

Haslemere Town Council
Internal Audit 2022-23

The internal audit of Haslemere Town Council for the 2022-23 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 2022-23 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 2022-23. Recommendations are set out at Appendix A, with a schedule of tests not applicable to this Council at Appendix B.

The audit was carried out in two stages. The interim audit was carried out remotely on 5 December 2022, 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 2023 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. Access to the accounting system is limited to the Clerk and Deputy Clerk.

I tested opening balances on the RBS system at 1.4.22 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 2022. I checked that figures in the VAT return have been derived directly from the RBS system and confirmed with the Clerk that the return has been submitted to HMRC.

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 2021-22 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 19 April.

The Council reviewed my interim audit report at the January 2023 meeting of Full Council (minute 10/23)

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. Financial Regulations and Standing orders are due for renewal in 2023, in line with the policy review schedule.

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 an emailed invoice pack. Payments are then



reported 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 7 months of 22/23. 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 transactions 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 reviewed payments over £5K made in the first 7 months of the financial year. Where appropriate, I was able to confirm that all these payments were made for competitively let contracts (Light Angels and Grounds Contract), or quotes had been obtained for one off purchases (deer fence at allotment).

Final Audit

Non pay expenditure per box 6 to the accounts amounted to £337,593, down from £363,933 in 21-22.

I tested a further sample of expenditure transactions selected at random from cashbooks for months 8-12 of the financial year. For all transactions sampled, I was able to confirm the following:

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

I also confirmed that the contract for the refurbishment of the toilets was advertised on Contract Finder Website, as required by financial regulations.

I am satisfied that the Council is meeting the requirements of 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 2023 meeting of 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 2023, 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 – this is sufficient.

The Town Hall and High Street Toilets are listed on the insurance policy. Other assets insured include

- Christmas Lights - £59K
- Play Equipment - £ 99K
- Memorials £53K

The Clerk confirmed a building revaluation was completed in January 2022 as part of the insurance renewal process.

The Council have confirmed that computer systems are backed up and tested by the external IT support company. Files have been retrieved from backups when required.

Final Audit

The Council completed the annual risk management review at the Full Council meeting in January 2023 (minute 12/23). 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 the requirements of this control objective.

D. Budget, Precept & Reserves

Interim Audit

I confirmed that the 2023-24 budget and precept setting process was well underway at the time of the interim audit. The Budget Working Party reported to the November 2022 Full Council meeting. I have reviewed the report and I am satisfied that the Council has taken account of inflationary pressures as part of budget setting. A review of the Council's reserves is also included in the budget setting process. The budget and precept are due to be approved at the Full Council meeting in January 2023. All precepting authority deadlines should be met.

The Council continues to review budget vs actual reports at every Full Council meeting. I reviewed the report presented to the 29 September meeting of Full Council. No overspends were identified, and I confirmed the review is recorded in minutes (77/22).

Final Audit

Reserves at 31 March 2023 were £416,733 (2021-22 £362,078).

General reserves at year end were £77K This represents 20 % of precept, which means that general reserves are held at the lowest level recommended in the JPAG Practitioners' Guide (this suggests general reserves should be held at 3-12 months of net revenue expenditure). It is therefore recommended that the Council keeps a watch on general reserve balances to ensure that they do not reduce further, I note this is clearly understood by the Council, as evidenced in budget setting minutes.

The Council held earmarked reserves of £340K at 31.3.23. 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 23-24 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 2023. A precept of £410,115 was agreed for the forthcoming financial year, and a balanced budget approved. (minute 11/23) All precepting authority deadlines were met.

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

E. Income

Interim Audit

I selected a small sample of income transactions from the cashbook for the first 6 months of the financial year, with a value of £153K . All were agreed to remittance advice notes issued by Waverley.

Final Audit

Precept per box 2 to the accounts was £370,937 (21-22 £366,932). This has been agreed to third party documentation provided by central government.

Income per box 3 to the accounts was £181,031 (21-22 £94,849).

One further transaction was tested - income from the Village Green Trust. This was agreed to minutes of the Trust.

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

F. Petty cash

The Council does not use petty cash.

G. Payroll

Interim and Final Audit

Staff costs per box 4 to the accounts were £146,288 (21-22 £131,121).

Payroll is processed by an external agency. I carried out testing of payments made to staff in August 2022. 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 – cashbook date for the payments - 8 August.

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

H. Assets and investments

Final Audit

Fixed assets per box 9 to the accounts were £ 712,458 (21-22 £690.836).

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.

The United Trust investment matures early in 2023-24, this will need to be brought back into the accounts on disposal and accounted for in line with guidance set out in the JPAG Practitioner's Guide.

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 £22K, there is a schedule of assets added to the asset register to support this change. The highest value addition in 22-23 is deer fencing at Clammer Hill.

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.

The Council continues to complete bank reconciliations monthly, this is then reported to Council in the Finance Pack. This has been confirmed by a skim read of minutes published in 22-23.

I re-performed the August 2022 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 / Nationwide/ Cambridge BS I will check the reconciliations annual statements at my final audit.

The Council needs to develop an investment strategy, this is a statutory requirement for all councils with cash and investment deposits in excess of £100K. This should include a regular review of where all cash and investments are held, to ensure that the investment strategy matches council objectives. A six monthly review would be sensible at present, given the improvement in interest rates for deposit accounts.



Final Audit

Borrowings per box 10 to the accounts were £263,494 (21-22 £ 265,632) 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 £408,477 (21-22 £356,714) I reperformed the year end bank reconciliations

Account	Cashbook Balance at 31 March 2023	Reconciliation review by Internal Audit
Unity Current	£68,862	Agreed to bank reconciliation, RBS accounting system and bank statement
Unity Deposit	£81,734	Agreed to bank reconciliation, RBS accounting system and bank statement
Nationwide	£85,781	Agreed to bank reconciliation, RBS accounting system and bank statement
Tridos	£86,741	Agreed to annual statement dated 17.8.22, RBS accounting system and bank statement
Cambridge BS	£85,326	Agreed to bank reconciliation, RBS accounting system and annual statement 31.12.22
Tridos	£31	Agreed to bank reconciliation, RBS accounting system and bank statement

All year end reconciliations had been reviewed by a councillor, properly evidenced on reconciliation and bank statements.

I am satisfied that the Council is meeting the requirements of 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

Interim and Final Audits

Yes, the Council meets the requirement of the Code by publishing information on the Council website, mainly on the Financial Information page. I checked that the following information was up to date at the time of the interim audit:

- Payments data – published to end of March 2023
- Organisation Chart – up to date
- Community Infrastructure Levy report – 21 -22 report published.
- Contract award data was up to date

I am satisfied the Council is meeting the requirements of the Transparency Code

M: Arrangements for Inspection of Accounts

Interim Audit

Inspection periods for 2021-22 were set as follows

Inspection - Key date	2021-22 Actual
Accounts approved at Full Council	13 May Full Council
Date of Announcement	20 June
Inspection period begins	21 June
Inspection period ends	1 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 2021-2 AGAR

Interim Audit

I confirmed that the Council has correctly loaded the audited accounts, annual governance statement and audit certificate for 2021-22 on to the Council website. The conclusion of audit certificate has been correctly published, with a date of 5 September, in advance of the 30 September deadline. The Council received a clear audit certificate from the external auditors, dated 3.9.22, so there are no matters to be taken into consideration in 2022-3. The audit certificate was reported to Council at the September meeting (minute 76/22). There is an archive of AGAR documents published on the website, as required by regulations.

O. Trusteeship
Interim Audit

The Council is Trustee of Village Green at Shottermill Trust – Charity 305043. The 21-22 annual return was submitted on 16 November 2022, 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.

I note that this is my final audit with the Council and I wish you all the very best for the future,

Yours sincerely

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Appendix A

Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response – Final Audit
<p>The Council needs to develop an investment strategy, this is a statutory requirement for all councils with cash and investment deposits in excess of £100K.</p>	<p>This should include a regular review of where all cash and investments are held, to ensure that the investment strategy matches council objectives. A six monthly review would be sensible at present, given the improvement in interest rates for deposit accounts</p>	<p>March 2023 meeting</p>

APPENDIX B

Note for External Audit - Areas Marked as No or Not Covered on Internal Audit Report

F: Petty Cash

The Council has no petty cash.

K: Exemption from Limited Assurance Review

The Council had a limited assurance review in 21-22.