



6 Uplands Road  
Farnham GU9 8BP

**Angela Baker**

**Clerk & RFO**

**Horne Parish Council**

30 November 2021

Dear Angela

**Re: Horne Parish Council**  
**Internal Audit Year Ended 31<sup>st</sup> March 2022**  
**Interim Audit**

Following the interim audit completed on 15 November, and follow up work, 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 2021-22 Annual Governance and Accountability Return (AGAR). I covered the following at this visit:

- Review of opening balances and reporting of 2020-21 audit opinion
- Follow up previous recommendations
- Testing of expenditure first 6 months of financial year
- Testing of income – first 6 months of financial year
- Risk management and insurance
- Salaries and wages
- Budget monitoring reports
- Arrangements for inspection of accounts
- Bank reconciliations.

I have identified breaches of the Council's Financial Regulations with regard expenditure on the cricket pavilion. Details are set out in section B of this report. The Council will be required to mark box 3 - compliance with regulations – on the annual governance statement as “NO” when this is completed in May.

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.

## **A. Books of Account**

### **Interim Audit**

The Council continues to use a spreadsheet system for recording the day-to-day transactions, this is sufficient for a council of this size. I have tested the brought forward balances against the prior year annual return and can confirm these have been brought forward correctly. The system is used monthly to report and record the financial transactions of the Council and a review of the cashbook shows that all data fields are being entered, the hard copy reports are easy to read and logically filed and the cashbook is up to date. I make no recommendation for change. I checked arithmetic within the cashbook and found that formulas are correctly set.

The external audit certificate records a qualified audit opinion for 2020-21, as a number of errors were made on the annual governance statement. These should have been avoided, as these matters were set out in my final audit report. The Council should take care to follow internal audit recommendations when completing the AGAR.

VAT was brought up to date at the end of the last financial year, I have confirmed that the VAT claim was submitted to HMRC. No VAT return has yet been completed in 2021-22. Given the amount of VAT due to the Council at the time of this audit, I would recommend that a VAT claim is submitted as soon as possible.

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

### **Interim Audit**

Financial Regulations and Standing Orders were reviewed at the AGM on 5 May 2021

I selected a sample of 5 transactions amounting to £24.7K selected at random from the first 6 months of the financial year. For all transactions tested I was able to confirm that:

- Transactions could be agreed back to invoice
- VAT entered into VAT column on cashbook
- Payment approved at a meeting of the Council

Unfortunately, the bank does not retain records of who authorised payments beyond 28 days. I have not therefore been able to check that the bank payments have been authorised in line with financial regulations. Going forward, the Council should retain screen prints from the bank system to demonstrate proper authorisation of payments.

My transaction testing included a payment of £7,874 to Sherwood Electrical. This company is owned by Councillor Sherwood, and it is my understanding that Sherwoods undertook this work to expedite the cricket pavilion project. Issues had been experienced in finding a suitable contractor, and further delays has been caused by the pandemic.

The Council has not followed its own rules in placing work with this contractor. Table I below sets out Council regulations that I do not believe have been followed for this transaction;

<b>Regulation Ref</b>	<b>Requirements of Regulation</b>	<b>Horne PC decision with regard to this transaction</b>
Financial regulation 10.4	“a member may not make any contract on behalf of the Council”	I understand that the decision to allocate the work was made at a Cricket Club meeting , and not a meeting of the Council.
Financial regulation 1.14	“the Council must: approve any grant or a single commitment in excess of £5,000”	Commitment not approved at a Council meeting
Financial regulation 10.1	“An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate”	I am not aware any such document was issued
Code of Conduct	Registration of Interests to be completed within 28 days of member’s election or co-option	I have not been shown a register of interests for Councillor Sherwood
Code of Conduct	Where a matter arises at a meeting which is a sensitive interest ( including placing contracts where a councillor is director or has a beneficial interest ) then the member should not participate in discussion or a vote on the matter	There is no evidence in minutes that this occurred

I must therefore conclude that the Council has not followed regulations in this regard. The Council will also be required to mark box 3 - compliance with regulations – on the annual governance statement as “NO” when this is completed in May.

This is the second year running I have had to qualify my audit opinion due to non - compliance with regulations. I recommend that the Clerk should arrange some training for the Council in regulatory and governance matters before the end of the financial year.

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

#### **Interim Audit**

A regular review of risks is carried out and I am satisfied that all appropriate risks are documented. The Council’s risk register is set out in tabular format and is sufficiently detailed for a council of this size. I note that the risk register was formally discussed at the Full Council meeting in May 2021 and a minute recorded. The Council has therefore met its obligations in this area for the current financial year, but the risk assessment must be kept under review.

The Council has improved its data storage solution since my last visit. Parish Council data is stored on the Council laptop, backed up to a cloud server. This is sufficient for a small organisation.

Insurance is in place with Zurich Municipal on a standard local authority package. Money cover and asset cover appear adequate, given the low asset and cash holdings of the Council. I confirmed insurance had been paid, and that it was valid until 31 May 2022. The Cricket Club building is not insured at present. I recommend that the Clerk contacts the insurer to notify them that the building is being refurbished and that insurance should be arranged.

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

##### **Interim Audit**

Budget and precept for 2022-23 is being worked on at present. Budget will be discussed at December meeting, with precept and budget due for approval in January 2022.

I note that the finance reporting pack is produced for each council meeting. This includes the cashbook and bank reconciliation. I confirmed that this reporting occurred at the meeting in October 2021 and that all information presented to councillors at this meeting was up to date.

Reserves will be audited at the yearend audit.

#### **E. Income**

Year end test, small number of transactions in cashbook in year to end October.

#### **F. Petty cash**

N/A - the Council confirmed it has no petty cash

#### **G. Payroll**

##### **Interim Audit**

Payroll is processed by the Clerk using the HMRC Basics package. I tested payroll for the Clerk for October 2021. I agreed the payment from the cashbook back to payroll calculations and payslip. Gross pay per the pay slip has been agreed to the clerk's contract of employment.

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

##### **Final Audit**

Year end test. I have discussed the Cricket Club project with the Clerk, it is my opinion that the cost of works at the Cricket Club will need to be added to the asset register before the accounts are submitted to audit.

**I. Bank reconciliations**

**Interim Audit**

I checked that the bank accounts are reconciled and reported to Council on a regular basis, the accounts workbook containing the bank reconciliation is presented to each monthly meeting of Council. The reviewing councillor signs off the front of the accounts pack. This is not sufficient; the bank reconciliation and bank statement should be signed off by the reviewing councillor to demonstrate proper independent review of the bank reconciliation has been carried out.

I reviewed the September bank reconciliation and have identified an error. The cashbook figure is overstated by £5800. This is because the bank transfer of £5800 realised when the deposit account was closed has been treated as income due to the Council. This needs to be removed from the income tab, the bank reconciliation should then work. I have traced the £5,800 credit on the current account bank statement.

**J. Year-end accounts**

Year end

**M - Inspection**

Inspection periods for 20-21 accounts were set as follows

<b>Inspection - Key date</b>	<b>2020-21 Actual</b>
Accounts approved at Full Council	21 June 2020 Full Council
Date Inspection Notice Issued and how published	22 June
Inspection period begins	23 June
Inspection period ends	3 August
Correct length	Yes

The minutes for the June 21<sup>st</sup> meeting were not shown on the website at the time of my review, this should be rectified. Otherwise, all regulatory requirements were met in this regard.

**N: Publication requirements 2020 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 September 2021, which is after the date of the audit certificate, 11<sup>th</sup> September 2021. Publishing obligations with regard to last year’s audit opinion have therefore been met.

**O. Trusteeship**

No trusts – confirmed with Clerk



Thanks for your assistance with the audit. I attach my invoice for your consideration. I have charged for an extra 3 hours work, given the complexity of issues relating to the Cricket Club works. Please do not hesitate to contact me if I can be of any assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read "M. Platten". The signature is fluid and cursive, with a large initial "M" and a long, sweeping tail.

Mike Platten CPFA

## Appendix A – Recommendations

### Points Forward – Action Plan - Interim Audit

Matter Arising	Recommendation	Council Response
The external audit certificate records a qualified audit opinion for 2020-21, as a number of errors were made on the annual governance statement.	These should have been avoided, as these matters were set out in my final audit report. The Council should take care to follow internal audit recommendations when completing the AGAR.	
VAT was brought up to date at the end of the last financial year, I have confirmed that the VAT claim was submitted to HMRC. No VAT return has yet been completed in 2021-22.	Given the amount of VAT due to the Council at the time of this audit, I would recommend that a VAT claim is submitted as soon as possible.	
Unfortunately, the bank does not retain records of who authorised payments beyond 28 days. I have not therefore been able to check that the bank payments have been authorised in line with financial regulations. .	Going forward the Council should retain screen prints from the bank system to demonstrate proper authorisation of payments	
My transaction testing included a payment of £7,874 to Sherwood Electrical. The council has not followed its own rules in placing work with this contractor	The Council will also be required to mark box 3 - compliance with regulations – on the annual governance statement as “NO” when this is completed in May.	
This is the second year running I have had to qualify my audit opinion due to non - compliance with regulations.	I therefore recommend that the Clerk should arrange some training for the Council in regulatory and governance matters before the end of the financial year	
The Cricket Club building is not insured at present.	I recommend that the Clerk contacts the insurer to notify them that the building is being refurbished and that	

	insurance should be arranged.	
The reviewing councillor signs off the front of the accounts pack.	This is not sufficient; the bank reconciliation and bank statement should be signed off by the reviewing councillor to demonstrate proper independent review of the bank reconciliation has been carried out.	
I reviewed the September bank reconciliation, and have identified an error. The cashbook figure is overstated by £5800. This is because the bank transfer of £5800 realised when the deposit account has been treated as income due to the Council.	This needs to be removed from the income tab, the bank reconciliation should then work. I have traced the £5,800 credit on the current account bank statement	
The minutes for the June 21 <sup>st</sup> meeting were shown on the website at the time of my review	This should be rectified	



