

GODALMING TOWN COUNCIL

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13 April 2022

I HEREBY SUMMON YOU to attend the **AUDIT COMMITTEE** Meeting to be held in The Pepperpot, High Street, Godalming on MONDAY, 25 APRIL 2022 at 7.00pm.

Andy Jeffery
Town Clerk

If you wish to speak at this meeting please contact Godalming Town Council on 01483 523575 or email office@godalming-tc.gov.uk

Committee Members: Councillor Boyle
Councillor Crooks – Vice-Chair
Councillor Heagin – Chair
Councillor Stubbs
Councillor Welland

A G E N D A

1. **MINUTES**

To approve as a correct record the minutes of the meeting held on the 3 February 2022, a copy of which has been circulated previously.

2. **APOLOGIES FOR ABSENCE**

3. **DISCLOSABLE PECUNIARY INTERESTS AND NON-PECUNIARY INTERESTS**

To receive from Members any declarations of interests in relation to any items included on the Agenda for this meeting required to be disclosed by the Localism Act 2011 and the Godalming Members' Code of Conduct.

4. **PETITIONS/STATEMENTS/QUESTIONS FROM MEMBERS OF THE PUBLIC**

The Chair to invite members of the public to make representations, ask or answer questions and give evidence in respect of the business on the agenda or other matters not on the agenda. This forum to be conducted in accordance with Standing Order 5.

5. **QUESTIONS BY MEMBERS**

To consider any questions from Councillors in accordance with Standing Order 6.

6. WORK PROGRAMME

Members to consider the Committee's Work Programme and to note progress on the items therein (copy attached for the information of Members).

7. BANK RECONCILIATION

The Responsible Finance Officer to table the current Bank Reconciliation for the information of Members.

Members to agree that the Chair should sign the bank reconciliation tabled.

8. INTERNAL AUDITOR'S REPORT

Members to consider the report of an internal audit conducted on 14 April 2022 by the Council's Internal Auditor, Mulberry & Co (copy to be tabled at the meeting).

9. REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL

Members to consider a report from the Responsible Finance Officer (report attached for the information of Members) and to consider what recommendations they will make to Full Council and the Godalming Joint Burial Committee.

10. ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement is attached (not yet completed) for the information of Members and Members are required to consider the answers to the questions posed by the Statement and to make recommendations to Full Council as to how it should respond to those questions.

11. ACCOUNTING STATEMENTS 2021/22

Members to consider the Town Council's Accounting Statements for the Financial Year Ended 31 March 2022 (copy of Section 2 of the Annual Return is attached for the information of Members).

12. MANAGEMENT OF DEBT 2021/22

The Council adopted the Credit Control Policy at Full Council on 19 November 2015 (Min No. 271-15 refers). The policy was reviewed by this Committee on 21 January 2021 and changed to a procedure (Min No. 324-20 refers). The procedure allows for a staged process to recover overdue invoices. This process has been found to be very effective and has minimised the amount of irrecoverable debts incurred by the Council.

Financial Regulation 9.6 requires any sums found to be irrecoverable to be reported to the Council so that they can be written off in the current financial year.

The Responsible Finance Officer has not requested any write offs in the 2021-22 financial year.

13. REVIEW OF SUPPLIERS

At its last meeting, Members of the Audit Committee considered a request from Full Council to provide a timeframe for reviewing suppliers used under 11.1a (Min No 302-21 refers).

Members considered Full Council's request and determined that suppliers were reviewed within the specifics of the environment in which they operated. Those suppliers who did not

have time-bound contracts and represented a significant spend would be reviewed at least once every four years.

It was determined that our use of suppliers for stationery and IT should be reviewed to ensure the Council was not paying above market for their goods and services.

For stationery, the RFO selected items regularly bought and compared prices online:

| Item | Current Supplier | Comparator 1 | Comparator 2 | Comparator 3 |
|-------------------------------------|------------------|--------------|--------------|--------------|
| Brother TN421BK Black Toner | £87.57 | £71.90 | £84.53 | £77.48 |
| Brother TN421C Cyan Toner | £78.22 | £60.90 | £70.90 | £62.99 |
| Item | Current Supplier | Comparator 1 | Comparator 2 | Comparator 3 |
| Bostik Blu-Tak 60gm | £2.04 | £1.06 | £1.33 | £2.75 |
| Europa A5 Notebooks Pack of 10 | £26.89 | £25.24 | £20.98 | |
| Uni-Ball Gel Roller Pen 1.0mm Black | £26.46 | £18.43 | £19.99 | £19.19 |

The RFO was unable to perform a desktop review for IT. Whilst there are other providers, due to the complexity of IT, these organisations tend to quote against set criteria which would require a set piece of work to be done.

14. EXTERNAL AUDITOR

At its meeting on 23 September 2021, Members agreed the Chair should write to the External Auditors and Smaller Authorities' Audit Appointments organisation to express concerns over the process for responding to matters raised.

The response to this letter was received on 16 February 2022 and is attached for the information of Members.

15. HEALTH & SAFETY GOVERNANCE

Compliance with health and safety legislation and guidance is not only vital for the safety of service users and council staff, but adherence to good practice is important for the reputational integrity of the Council.

The Council has a number of documents that support health and safety actions and practices within the Council, including Standing Orders, the Council's Health & Safety Policy and the Council's annual Health & Safety Statement document. It is important that these documents not only reflect legislative requirements and Health & Safety Executive guidance, but that they also provide the ability for the proper implementation of health and safety practices, including preventative measures and the effectiveness of reporting structures and risk control.

The Health & Safety Executive (HSE) has produced a document detailing the issues of managing risk for Directors and Board members (attached for the information of members). The equivalent of Directors and Board members in local authorities are Senior Officers and Councillors.

HSE states that “*health and safety is a corporate governance issue. The board should integrate health and safety into the main governance structures, including board sub-committees, such as risk, remuneration and audit.*”

The HSE also states that *to take responsibility and ‘ownership’ of health and safety, members of the board must ensure that:*

- *health and safety arrangements are adequately resourced;*
- *they obtain competent health and safety advice;*
- *risk assessments are carried out;*
- *employees or their representatives are involved in decisions that affect their health and safety.*

Godalming Town Council achieves the above by having adequate budgets for maintenance, capital replacement and professional fees, by carrying out risk assessments in key areas, by establishing a process by which staff can raise health and safety concerns and a monthly meeting to review those concerns.

However, whilst it is believed that health and safety governance is embedded into the Council’s structures, including its committee reporting structure i.e sickness and absence is reported to the Staffing Committee, an annual health and safety report is provided to the Policy & Management Committee, the Town Clerk and RFO consider that the Audit Committee, which already has the responsibility for managing risk within the Council (refer to Standing Orders 102 and 103(i)), should be responsible for the review of health and safety governance arrangements, including ownership of the Health & Safety Policy and Statement documents and making appropriate recommendations to Council regarding those documents and ensuring that standing orders correctly reflects the roles and responsibilities of the Council’s committees and management team and that they provide: .

- *appropriate weight to reporting both preventive information (such as progress of training and maintenance programmes) and incident data (such as accident and sickness absence rates);*
- *for periodic audits of the effectiveness of management structures and risk controls for health and safety are carried out;*
- *flexibility to adapt to the impact of changes such as the introduction of new procedures, work processes or products, or any major health and safety failure, is reported as soon as possible to the board;*
- *procedures to implement new and changed legal requirements and to consider other external developments and events;*
- *for health and safety to appear regularly on the agenda of meetings.*

Members are requested to agree a process to review the Council’s health and safety governance arrangements, including the review of documentation and to make appropriate recommendations where necessary.

16. DATE OF NEXT MEETING

The next meeting of the Audit Committee is scheduled to be held in the Mayor’s Parlour on Thursday, 26 May 2022 at 8.00pm.

17. ANNOUNCEMENTS

Brought forward by permission of the Chair. Requests to be submitted prior to commencement of the meeting.

AUDIT COMMITTEE WORK PROGRAMME

| SUBJECT | NAME OF PERSON UNDERTAKING REVIEW | PREVIOUS COMPLETION DATE | ACTIONS BROUGHT FORWARD | STATUS | ACTIONS CARRIED FORWARD |
|-------------------------------------|-----------------------------------|--------------------------|---|---|-------------------------|
| Bank Reconciliation | Cllr Heagin/RFO | 16 September 2021 | Latest Bank recs reviewed at each meeting of Audit Committee | Chair to review and sign at each meeting of the Audit Committee | Ongoing |
| Health & Safety | RFO | | Latest H&S issues reviewed at each meeting of the Audit Committee | On this agenda | |
| Internal Control – Meeting 1 | | | | | |
| Income Controls | Cllr Heagin | 1 July 2021 | Conducted 1 July 2021 – no issues identified | Annual review to be completed by July 2022 | |
| Payment Controls | Cllr Heagin | 1 July 2021 | Conducted 1 July 2021 – no issues identified | Annual review to be completed by July 2022 | |
| Payroll Controls | Cllr Heagin | 1 July 2021 | Conducted 1 July 2021 – no issues identified | Annual review to be completed by July 2022 | |
| Proper Book-keeping | Cllr Heagin | 1 July 2021 | Conducted 1 July 2021 – no issues identified | Annual review to be completed by July 2022 | |
| VAT Controls | Cllr Heagin | 1 July 2021 | Conducted 1 July 2021 – no issues identified | Annual review to be completed by July 2022 | |

| SUBJECT | NAME OF PERSON UNDERTAKING REVIEW | PREVIOUS COMPLETION DATE | ACTIONS BROUGHT FORWARD | STATUS | ACTIONS CARRIED FORWARD |
|---------|-----------------------------------|--------------------------|-------------------------|--------|-------------------------|
|---------|-----------------------------------|--------------------------|-------------------------|--------|-------------------------|

| Miscellaneous – Meeting 2 | | | | | |
|---------------------------|--------------------------------|-------------------|---|---|---|
| External Auditor's Report | RFO | 16 September 2021 | Annual report received 16 September 2021. Onward recommendation to Full Council on 23 September 2021 | Annual review to be completed by September 2022 | Chair to write to SAAA and PKF Littlejohn regarding poor process. |
| Asset Control | Cllr Boyle/RFO | 16 September 2021 | Onward recommendation to Full Council on 23 September 2021 of new Fixed Asset Disposal Policy | Annual review to be completed by September 2022 | |
| Review of Suppliers | RFO /Facilities Supervisor /TC | Ongoing | Telephone services – as part of move to new offices, quotes received from three suppliers. Decision to go with Phones for Business. | On this agenda | RFO to perform desktop review of Stationery and IT Suppliers |
| Financial Regulations | RFO | 3 February 2022 | Review of Financial Regulations completed by this Committee 16 September 2021. Onward recommendation to Full Council on 23 September 2021 | Annual review to be completed by September 2022 | |
| Procedures | Cllr Welland | Ongoing | Creating a Standard Operating Procedures File for each position | Ongoing task | |
| Budgetary Controls | Cllr Welland | 16 September 2021 | Conducted 16 September 2021 – to be reviewed in 12 months | Annual review to be completed by September 2022 | |

| SUBJECT | NAME OF PERSON UNDERTAKING REVIEW | PREVIOUS COMPLETION DATE | ACTIONS BROUGHT FORWARD | STATUS | ACTIONS CARRIED FORWARD |
|----------------|--|---------------------------------|--------------------------------|---------------|--------------------------------|
|----------------|--|---------------------------------|--------------------------------|---------------|--------------------------------|

| Risk Management – Meeting 3 | | | | | |
|---|-----------------------------|-------------------|---|--|--|
| Risk Assessment – Business Continuity | Cllr Heagin /RFO | 3 February 2022 | To be reviewed at least every three years | Next review to be completed by 31 March 2025 | |
| Risk Assessment – Environmental | Cllr Crooks/RFO | 3 February 2022 | To be reviewed at least every three years | Next review to be completed by 31 March 2025 | Cllr Crooks to audit control measures and report back. |
| Risk Assessment – Legal | Cllr Boyle/RFO | 3 February 2022 | To be reviewed at least every three years | Next review to be completed by 31 March 2025 | Cllr Boyle to audit control measures and report back. |
| Risk Assessment – Physical & Information Security | Cllr Welland/RFO | 10 September 2020 | To be reviewed at least every three years | Next review to be completed by 31 March 2023 | |
| Risk Assessment – Reputation | Cllr Stubbs /RFO | 6 February 2020 | To be reviewed at least every three years | Next review to be completed by 31 March 2023 | |
| Risk Assessment – Health & Safety | Cllr Stubbs /RFO | 3 February 2022 | To be reviewed at least every three years | Next review to be completed by 31 March 2025 | Cllr Stubbs to audit control measures and report back. |
| Risk Assessment – Financial | Cllr Crooks /RFO | 10 September 2020 | To be reviewed at least every three years | Next review to be completed by 31 March 2023 | |
| Insurance | Town Clerk/RFO/ Cllr Heagin | 29 April 2021 | To be reviewed annually | Next review to be completed by 31 March 2022 | . |
| Risk Assessment – Safeguarding | Cllr Boyle | 21 January 2021 | To be reviewed at least every three years | Next review to be completed by 31 March 2024 | |

| SUBJECT | NAME OF PERSON UNDERTAKING REVIEW | PREVIOUS COMPLETION DATE | ACTIONS BROUGHT FORWARD | STATUS | ACTIONS CARRIED FORWARD |
|---------|-----------------------------------|--------------------------|-------------------------|--------|-------------------------|
|---------|-----------------------------------|--------------------------|-------------------------|--------|-------------------------|

| Year End – Meeting 4 | | | | | |
|---|------------------|--|---|--|--|
| Internal Auditor's Reports | RFO | 3 February 2022 | Interim audit report received and responses given. Onward recommendation to next Full Council meeting | On this agenda | |
| Management of Debt (particularly Bad Debt) | RFO | 29 April 2021 | To be reviewed annually | On this agenda | |
| Review of Effectiveness of Internal Control | Cllr Heagin /RFO | 22 April 2021 (at Full Council due to COVID-19) | To be reviewed annually | On this agenda | |
| Annual Governance Statement | Cllr Heagin /RFO | 22 April 2021 (at Full Council due to COVID-19) | To be reviewed annually | On this agenda | |
| Annual Accounting Statements | Cllr Heagin /RFO | 22 April 2021 (at Full Council due to COVID-19) | To be reviewed annually | On this agenda | |
| Review of Credit Control Procedures | RFO | 21 January 2021 | To be reviewed at least every three years | Next review to be completed by 31 January 2024 | |
| Review of Council Banking Arrangements | Cllr Heagin /RFO | 16 September 2021 – on the 13 January 2022 Full Council agenda | To be reviewed each Administration | Next review to be completed after May 2023 | |
| Review of Treasury & Investment Policy | | 29 April 2021 | To be reviewed at least every three years | Next review to be completed by April 2024 | |



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Our Ref: MARK/GOD001

Ms R Tong
Godalming Town Council
107-109 High Street
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GU7 1AQ

14 April 2022

Dear Rita

Re: Godalming Town Council
Internal Audit Year Ended 31 March 2022

Executive summary

Following completion of our interim internal audit on 7 September 2021 and final audit on 14 April 2022 we enclose our report for your kind attention and presentation to the council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date. **Testing requirements are shown in red** and where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified, followed by recommended minimum testing requirements. Each section is then concluded with an opinion as to whether the assertion has been met or not.

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

It is clear the council takes governance, policies and procedures very seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at Godalming Town Council are well established and followed.

Regulation

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. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily. The internal audit reports should therefore be made available to all members to support and inform them when they considering the authority's approval of the annual governance statement.

Independence and competence

Your interim audit was conducted by Mark Mulberry of Mulberry & Co, a qualified practicing accountant with over 20 years' experience as a registered statutory auditor.

Your final audit was conducted by Andy Beams of Mulberry & Co, who has over 30 years' experience in the financial sector with the last 12 years specialising in local government.

We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Engagement letter

An engagement letter was issued to the council covering the 2021/22 internal audit assignment. Copies of this document are available on request.

Planning and inherent risk assessment

The scope and plan of works including fee structure was issued to the council under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR.

- There have been no instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is my opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be "walk through testing" on sample data to encompass the period of the council year under review.

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A. BOOKS OF ACCOUNT

Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

Recommended minimum testing:

- Ensure the correct roll forward of the prior year cashbook balances to the new financial year
- Check a sample of financial transactions in cashbooks to bank statements, etc.: the sample size dependent on the size of the authority and nature of accounting records maintained

Interim Audit

The council continues to use RBS Rialtus suite. This is an industry specific accounting package. The RBS system is used daily to report and record the financial transactions of the council.

There are a number of access users. The system is cloud based and access is by secure log on to the local machine and a separate password for the cloud system.

- RFO - full access all areas
- Clerk - Read only all areas
- Facilities supervisor - read write to bookings
- Support services - read write to bookings.

The system encompasses, sales ledger, purchase ledger and cashbook. It provides for reconciliation of key control accounts and regular reporting against budget.

Every month, a month end close down is performed by the RFO, various reports are printed in soft copy and filed in logical order on the "W" drive, these include but are not limited to income and expenditure against budget, bank reconciliations and other reports as fit. The W drive is backed up daily.

The RFO makes use of a control sheet to tick off the various reconciliations and financial activities that must be completed to finalise a month end. I have reviewed the April, May & June months and can confirm the tick sheet is completed and the various reconciliations are in evidence. This is a robust, clear to follow system of internal control and demonstrates good working practices.

I also reviewed the bank reconciliation file and can confirm for June, July & August there was evidence of the RFO preparing and signing off the bank reconciliations, together with counter signatures for council approval. This demonstrates internal controls are in evidence and being followed.

The cashbooks are routinely saved and are also retrospectively accessible via the RBS package. The system requires the population of key data fields to enable the user to record a transaction with sufficient detail to understand the nature and scope of the transaction. This is a clear and easy to follow system and a review of the cashbook shows that all data fields are being entered, the reports are easy to read and logically filed.

My walk-through audit testing of receipts and payments to underlying documentation chosen at random from month five showed that the referencing system can be relied upon, and that the source documents could be easily located in the council records. I make no recommendation to change in this system.

I tested opening balances as at 1/4/21 and confirmed they could be agreed back to the audited accounts for 2020/21.

The council is VAT registered and the last VAT return was for quarter ended 30th June 2021. This was submitted using the software package under the making tax digital rules and was submitted on time ahead of the deadline. The return was a refund return, and I proved the amount shown on the return to the HMRC system and to the physical bank statements. This test indicates that the council is up to date with its postings on the financial package and that these can be verified to third party evidence.

Final Audit

The final audit was conducted on site, and the RFO was able to provide the requested information. This was well organised, clear and easy to follow. My audit testing shows that the council has in place systems and procedures which enable it to carry out its fiduciary duties and supports the findings of the interim audit.

At the year-end, the council has balances of £13,705.67 on the purchase ledger and £18,128.64 on the sales ledger. I tested the background to a sample of the outstanding amounts, and the RFO was able to provide sufficient additional detail.

The council is VAT registered and the final reclaim for the period 1 January to 31 March 2022 has been prepared ready for submission. This shows a refund position of £17,938.50. The council remains up to date with its VAT postings.

Overall, I have the impression that the accounting systems are well ordered and routinely maintained and as such I make no recommendation to change.

Section conclusion

I am of the opinion that the control assertion of "Appropriate accounting records have been properly kept throughout the financial year" has been met.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS**Internal audit requirement**

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

Recommended minimum testing:

- Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the Standing Orders and Financial Regulations which should be based on the latest version.
- Ensure that consistent values are in place for the acquisition of formal tenders between Standing Orders and Financial Regulations (frequently different limits are recorded in the two documents)
- Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation
- Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments
- Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements
- Where debit / credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place

Interim Audit

Check the publication & minuting of the prior year audited AGAR and notice of conclusion of audit.

The external auditors report was not qualified in 2020/21, although the external auditor made a comment regarding the order of approval.

The notice of conclusion of audit is dated 18/08/21 and is posted to the council website in accordance with regulations.

Both the auditor's report and the notice will be reported to the audit committee in September 2021. This will be ratified by full council on the 23 September 2021.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that Councillors sign "Acceptance of Office" forms and "Register of members Interests" and "Acceptance to receive information by Electronic Means", all in line with regulations.

Each councillor is listed on the website, has a mini biography and link to their register of interests. I reviewed the website with the RFO, and it was verbally confirmed all councillors were up to date. The register of interests was dated 2019.

Confirm that the Council is compliant with the relevant transparency code.

The Council is required by law to follow the 2015 Transparency Code, a review of the web site has shown that the council is routinely and properly following this.

A review of the website indicates that in general information is clear, easily accessible and readable. The council is aware of the accessibility regulations which come into effect in September 2020 – some areas were updated; however, the council is in the process of changing its website provider to be fully compliant.

Confirm that the Council is compliant with the GDPR.

The council is aware of GDPR, it was noted the Council has common email addresses internally which gives a natural segregation, so it is clear beyond doubt in what capacity a councillor is acting, gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

Confirm that the Council meets regularly throughout the year

The council has the following committees:

- Full Council; meets circa 6 times per annum
- Audit; quarterly
- Staffing; Quarterly
- Mayoralty – annual
- P&M – 6 weekly
- Environment & Planning – new
- JBC - quarterly

There are also a number of working parties and groups which meets as and when necessary to cover specific tasks, not committee have spending powers.

Check that agendas for meetings are published giving 3 clear days' notice.

I reviewed the agendas for meetings held in June, July & August and can confirm that at least 3 clear days' notice is given.

Check the draft minutes of the last meeting(s) are on the council's website

Minutes are uploaded to the council website, and these agree to signed hard copies.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months.

The standing orders are based on the NALC model. These were adopted by full council the May 2021 meeting.

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations.

Financial regulations are based on the NALC model. Financial Regulation will be reviewed by the Audit Committee in September 2021 and will be taken to Full Council on September 2021 (There is to be discussion about the order thresholds). The regulations being based on the NALC model contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council.

Check that the council's Financial Regulations are being routinely followed.

Financial regulation 2.2 deals with bank reconciliations, the council is performing a monthly bank reconciliation for all accounts, and this is signed & minuted in accordance with regulations.

Financial regulation 3 deals with Annual estimates (Budget) and Forward planning. Budget monitoring reports are presented to the Policy and Management Committee at each meeting. The reports are logically presented with both summary and detailed narrative. I reviewed the June report and minutes and can confirm that councillors are well informed, and this is minuted.

Financial regulation 4 deals with budgetary control and authority to spend. The office has the power to spend within a budget heading and the clerk has emergency powers up to £4,500. The internal processes of the council are sufficiently robust to ensure before an order is placed the budgets are checked. On occasion it is necessary to get retrospective approval from council.

Financial Regulation 5 deals with authorisation of payments. The minutes show authorisation of payments lists in accordance with regulations. The bank mandate is up to date.

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit, debit card and bacs. The system in place is routinely followed and a review of the payments file showed all summaries are signed and invoices verified. There is no doubt payments are properly reported to council, approved and the physical payment authorised.

The de-minimis limit recorded in the Financial Regulations for the competitive purchase of items and services is as listed below.

- £25,000 + Tender Process
- £5,000 - £25,000 3 quotations are required.
- £1,000 - £5,000 – strive to get 2 estimates – council considering removing this category
- 0 - £1,000 – power to spend – council considering change to £5,000 (2021/22)

I discussed the purchasing system with the RFO vis-à-vis financial regulations 4, 5 & 6 and ascertained that the regulations are being followed at a local level as described below:

1. Regular and recurring expenditure (rent, rates, wages, light & heat, contractual spend etc.) is known and authorised in advance (budget setting or tender process). These are, in the main, paid via direct debit, standing order or on-line banking. Evidence was noted in the minutes of advance variable direct debits being properly authorised.
1. An ad hoc expenditure requirement is identified and noted to the clerk/RFO – this can be from a number of sources and depending on the financial amount will be discussed in advance with council, committee or chair. If required, this is approved in advance by council committee before the expenditure incurred. My audit testing showed via the minutes that there is where appropriate discussion of expenditure before the orders are placed.
2. The order is made via the office – councillors are not allowed or permitted to place amend or vary orders.
3. The supplier invoice, when received, is reviewed by the RFO and box stamped and passed to budget holder for authorisation and review. My audit testing showed that supplier invoices do all have a box stamp.
4. The authorised invoices are then returned to the RFO and are input into the financial reporting package.
5. On a weekly basis a payments list is prepared by the RFO, and councillors are invited to approve the payment sheet and approve the invoices via email. The RFO sets the payments up on the on-line banking screens and prints this out in hard copy and the clerk verifies the list to the bank print. The clerk then authorises the physical payment on the bank system. Dual access is not required to access bank. The RFO accesses bank account and inputs payment and Town Clerk reviews input against schedule and signs that it is correct.
6. The payments list is taken to committee for approval in accordance with regulations.

In conducting our walk-through testing, we identified that the correct VAT is recorded on the system and could be agreed to physical invoices and the VAT return, which in turn was proved to the physical refund and HMRC website. We also agreed to documentary evidence and supplier invoices payments made by bacs and DD – there were no errors.

In reviewing the minutes of JBC and JTC we agreed with the clerk and the RFO that where there are instances of council reviewing and accepting quotes and or tenders for work, **there should be processes in place to ensure the minutes show where applicable a “resolution to accept or approve” so it is clear beyond reasonable doubt that council is making the necessary decisions based on the evidence presented.**

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £8.41 (2021: £8.32 per elector.)

The council has no S.137 expenditure because they have GPC. This was approved in May 2019 at the annual meeting. I have verified this to the minutes.

Confirm that checks of the accounts are made by a councillor.

The client has an internal audit committee, with a detail remit and schedule of works. In July 2021 a body of review work was presented and documented. No errors or omissions were noted. I am under no doubt the council has robust internal controls in place.

Final Audit

I confirmed with the RFO that no significant changes to council processes has occurred since the interim visit and support the assertion that the council has in place robust internal controls.

We discussed the point raised at the interim visit stating, *'there should be processes in place to ensure the minutes show where applicable a "resolution to accept or approve" so it is clear beyond reasonable doubt that council is making the necessary decisions based on the evidence presented'*. The RFO confirmed that the council have amended their wording in the minutes to make decisions more clearly defined.

Section conclusion

I am of the opinion that the control assertion "This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for" has been met.

C. RISK MANAGEMENT AND INSURANCE

Internal audit requirement

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Recommended minimum testing:

- Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc
- Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity / employees (including councillors) liability, business interruption and cyber security
- Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation

Interim Audit

As part of the audit committee remit of works the Council undertakes risk assessments that cover a number of categories. Evidence was noted in the September 2020 Audit Committee meeting of review and adoption of the risk management policy and documentation. These are very comprehensive and detailed documents.

Godalming TC is insured with Zurich on a 3-year deal. Asset cover seems consistent with the asset register, and money cover is adequate for a council of this size. The certificate is in date.

Final Audit

We discussed assertion 8 of the AGAR and whether or not this had any impact on the council. All appropriate transactions and events have been recorded.

"We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements."

The RFO confirmed that she was not aware of any such liability at the year end.

Section conclusion

I am of the opinion that the control objective of “This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these” has been met.

D. BUDGET, PRECEPT AND RESERVES**Internal audit requirement**

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Recommended minimum testing:

- Ensure that the full authority, not a committee, has considered, approved and adopted the annual precept in accordance with the required parent authority timetable
- Ensure that budget reports are prepared and submitted to authority / committees periodically during the year with appropriate commentary on any significant variances
- Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances
- Ensure that the authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process
- Ensure that the precept in the accounts matches the submission form to the relevant authority and the public record of precepted amounts

Interim Audit

Full council approved the 2021/22 precept at its 17th December 2020 meeting which is within the timescales set within the financial regulations and submitted its application on time to the precepting authority.

I confirmed that the 2022/23 budget and precept setting process was underway at the time of the audit.

Councillors receive regular reports on budget against actuals via reports to the Policy and Management Committee. I reviewed the report for the period to end of September 2021 and was able to confirm that the budget is well managed and reported on. Overspends have been properly explained and approval for funding sought from Councillors.

The Council has well developed reserves, which are properly recorded. It is forecasted that at the end of the council year general reserves could be at £217k and Earmarked £230K. The RFO is aware that by the end of the council year the general reserve will be below the 50% of precept rule of thumb. This has been discussed with council so that a strategy can be put in place to bring the reserves level up over time. I am of the opinion that reserves are very low for a council of this size.

I discussed the earmarked reserves with the RFO and RFO was able to provide explanations and reasons for all reserves. I am of the opinion these are bonafide reserves.

Final Audit

I confirmed that the 2022-23 budget and precept setting process was completed and approved by council at the meeting held on 13 January 2022.

I confirmed that in accordance with Financial Regulations, there is regular reporting of the council’s financial position at meetings, and this is reflected in the minutes. At the year-end, the council generated a £20,327 surplus compared to the agreed budget for the year.

At the year-end, the council held circa £322,000 in the general reserve and a further circa £442,000 in a range of clearly defined earmarked reserves. I tested with the RFO the purpose of the earmarked reserves and she confirmed these have been reviewed during the year and are all for legitimate projects the council are pursuing.

The council's general reserve remains below the 50% of precept guidance, although through discussion with the RFO, I am content the council are aware of this issues and keep its level under regular review.

Section conclusion

I am of the opinion that the control objective of "The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate" has been met.

E. INCOME

Internal audit requirement

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Recommended minimum testing:

- Review "aged debtor" listings to ensure appropriate follow up action is in place
- Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.
- Burials: ensure that a formal burial register is maintained that it is up-to-date and that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates)
- Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised
- Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time
- Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing and recovery of all such income
- Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked

Interim Audit

The council uses the RBS booking module to invoice and record the collection of income for hires. I was able to agree charging rates back to the approved fees and charges list.

The council approved its fees and charges in April 2021.

I was pleased to note that the RFO regularly checks and chases aged debtors.

VAT has been properly charged at the prevailing rate.

I was able to verify income per the bank statements to the underlying records.

Section conclusion

I am of the opinion that the control objective of "Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for" has been met.

F. PETTY CASH**Internal audit requirement**

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.

Recommended minimum testing:

- A number of authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases. Consequently, a “not applicable” response is frequently required in this area.
- Review the systems in place for controlling any petty cash and cash floats (used for bar, catering, etc.)
- Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held
- Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held
- Ensure that VAT is identified wherever incurred and appropriate
- Physically check the petty cash and other cash floats held
- Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till “Z” total readings

Interim Audit

The council has a float of £200. This was reviewed at the audit date it is clear this is used for small sundries and is not significant or material.

Petty cash expenditure is signed off by the RFO and another officer.

The council is considering dispensing with petty cash in favour of expenses reimbursement and corporate credit card.

Final Audit

The council has moved away from petty cash during the year and now has a corporate credit card, held by the Clerk. Receipts are retained by the RFO and reconciled to the monthly credit card statement, which is paid by variable direct debit and copied to the councillors who act as authorised signatories.

Section conclusion

I am of the opinion the control objective of “Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for” has been met during the period when petty cash was being used by the council. For future years, the control objective will be marked ‘not applicable’.

G. PAYROLL**Internal audit requirement**

Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied.

Recommended minimum testing:

- Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract
- Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability
- Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and with the contracted hours
- Ensure that appropriate tax codes are being applied to each employee
- Where free or paid for software is used, ensure that it is up to date.
- For the test sample of employees, ensure that tax is calculated appropriately
- Check the correct treatment of pension contributions to either the Local Government pension scheme (non - taxable, deducted from the gross salary or DC schemes like NEST which already allow for tax deductions)

- For NI, ensure that the correct deduction and employer's contributions are applied: NB. The employers' allowance is not available to councils but may be used by other authorities
- Ensure that the correct employers' pension percentage contribution is being applied
- Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies

Interim Audit

The payroll is processed using Sage 50 payroll and is processed in house by the RFO. Payroll is then reviewed by the Clerk and signed off electronically by two councillors prior to payment to staff.

The council has fulfilled its obligations in respect of auto-enrolment and uses LGPS.

I tested the tax deduction and pay scales for a full time & part time employee – there were no errors. I am of the opinion salaries are correctly calculated and paid.

The PAYE and NI liabilities are paid on time.

All council employees are paid through the payroll for all council work undertaken. No employees are paid separately for any other council work undertaken. Casual labour payments are correctly recorded via the payroll.

Councillors are not paid allowances.

Pay increases are based on an annual appraisal and a fixed % e.g., an annual cost of living increase or an incremental scale increase, where applicable.

Final Audit

The RFO confirmed that all staff members on the NJC scale received the backdated pay increase in their March 2022 salaries.

I confirmed that the box 4 totals on the AGAR are for allowable staff costs only.

Section conclusion

I am of the opinion that salaries are correctly stated on the AGAR and that the control object of "Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied" has been met.

H. ASSETS AND INVESTMENTS

Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

Recommended minimum testing:

Tangible fixed assets

- Ensure that the authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price, net of VAT and removing any disposed of / no longer serviceable assets
- Physically verifying the existence and condition of high value, high risk assets may be appropriate
- Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement
- Additions and disposals records should allow tracking from the prior year to the current
- Ensure that the asset value to be reported in the AGAR at Section 2, Box 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and /or disposals
- Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or "self-insured" by the authority

Fixed asset investments

- Ensure that all long-term investments (i.e., those for more than 12-month terms) are covered by the “Investment Strategy” and reported as Assets in the AGAR at Section 2, Box 9.

Borrowing and lending

- Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired
- Ensured that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt
- Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at Section 2 Box 5
- Ensure that the outstanding loan liability as of 31st March each year is correctly recorded in the AGAR at Section 2, Box 10 (value should be verified via the DMO website)
- Where the authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt

Audit findings

The fixed asset register is maintained on excel, additions and disposals have been agreed to a schedule prepared by the RFO and have been correctly added at cost or written off the asset register as obsolete. I was able to verify to the supplier invoice and council approval the addition of a water bowser.

The loan interest and capital repayments were agreed to PWLB debt management letters. There were no errors.

The council does not hold any long-term investments i.e., over 1 year. Any addition to the asset register is normally with a cost value greater than £1,000.

Final Audit

I confirmed the only addition during the year was the water bowser for £2,500, and this confirms the change in asset register value from the previous year. The asset register total is consistent with the figure entered into box 9 on the AGAR.

I confirmed the year-end PWLB loan balance and in year repayments against the PWLB statement showing the council’s four loans.

Section conclusion

I am of the opinion that the control objective of “Asset and investments registers were complete and accurate and properly maintained” has been met.

I. BANK AND CASH**Internal audit requirement**

Periodic and year-end bank account reconciliations were properly carried out.

Recommended minimum testing:

- Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members
- Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, Section 2, Box 8
- Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy

Interim Audit

At the interim audit date, the council had a reconciled bank position which has been signed in accordance with Financial Regulations.

I have reviewed the reconciliation there were no outstanding payments and no outstanding lodgements. I also tested the cut off and can confirm the payments and lodgements are shown in the correct year.

Final Audit

At the year end, the council had a reconciled position across its accounts which I confirmed against bank statements showing balances as of 31 March 2022

Due to the size of the council's budget, it is outside the scope of the Financial Services Compensation Scheme (FSCS) depositor limits.

Section conclusion

I am of the opinion that bank and cash balances are properly shown on the AGAR and that the control objective of "Periodic and year-end bank account reconciliations were properly carried out" has been met.

J. YEAR END ACCOUNTS**Internal audit requirement**

Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

Recommended minimum testing:

- Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein
- Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end

The council, at its meeting to sign off the year-end accounts, must discuss the Annual Governance Statement and record this activity in the minutes of the meeting. Based on the internal audit finding, I recommend using the table below as the basis for that discussion. **COUNCIL IS REMINDED THAT THIS MUST BE A SEPARATE AGENDA ITEM TO THE SIGNING OF THE ANNUAL ACCOUNTS.**

Section 1 – Annual Governance Statement

| | Annual Governance Statement | <i>'Yes', means that this authority</i> | Suggested response based on evidence |
|---|--|--|--|
| 1 | We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements. | <i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i> | YES – accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations. |
| 2 | We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness. | <i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i> | YES – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny. |
| 3 | We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the | <i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i> | YES – the Clerk is experienced and advises the council in respect of its legal powers. |

| | | | |
|---|---|--|--|
| | ability of this authority to conduct its business or manage its finances. | | |
| 4 | We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations. | <i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i> | YES – the requirements and timescales for 2020/21 year-end were followed. |
| 5 | We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required. | <i>considered and documented the financial and other risks it faces and dealt with them properly.</i> | YES – the council has a risk management scheme and appropriate external insurance. |
| 6 | We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems. | <i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i> | YES – the council has appointed an independent and competent internal auditor has completed two audits during the year. |
| 7 | We took appropriate action on all matters raised in reports from internal and external audit. | <i>responded to matters brought to its attention by internal and external audit.</i> | YES – where matters are raised, action taken by council is recorded |
| 8 | We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements. | <i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i> | YES – no matters were raised during the internal audit visits. |
| 9 | Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit. | <i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i> | N/A – the council has no trusts |

Section 2 – Accounting Statements

| AGAR box number | | 2020/21 | 2021/22 | Auditor notes |
|-----------------|---|------------|-----------|---|
| 1 | Balances brought forward | 502,377 | 519,501 | Agrees to 2020/21 carry forward (box 7) |
| 2 | Precept or rates and levies | 711,154 | 769,225 | Figure confirmed to central records |
| 3 | Total other receipts | 263,113 | 428,417 | Agrees to underlying records |
| 4 | Staff costs | 385,471 | 420,299 | Agrees to underlying records |
| 5 | Loan interest/capital repayments | 77,703 | 77,703 | Confirmed to PWLB records |
| 6 | All other payments | 493,969 | 455,043 | Agrees to underlying records |
| 7 | Balances carried forward | 519,501 | 764,098 | Casts correctly and agrees to balance sheet |
| 8 | Total value of cash and short-term investments | 507,787 | 752,200 | Agrees to bank reconciliation |
| 9 | Total fixed assets plus long-term investments and assets | 1,977,504 | 1,980,004 | Matches asset register |
| 10 | Total borrowings | 1,446,469 | 1,415,083 | Confirmed to PWLB records |
| 11 | For Local Councils only - Disclosure note re Trust funds (including charitable) | YES | NO | N/A as the council has no trusts |

Final Audit

The year-end accounts have been correctly prepared on an income and expenditure basis. The box 7 and 8 reconciliation has been completed using the RBS information and shows total debtors of £36,193.24 made up of debtor control (£18,128.64), VAT control account (£17,938.50) and prepayments (£126.10), and total creditors of £24,295.31 made up of creditors (£13,705.67), Revenue in Advance (£1,054.35), Accruals (£2,420.00), Deposits control (£492.56) and High Street parking deposits (£6,622.73).

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2020/21 AGAR. Figures have been verified against underlying accounting records where appropriate.

The variance analysis has been correctly completed with sufficient detail to explain the changes over 15% compared to the previous year's totals.

Section conclusion

I am of the opinion that the control objective of "Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded" has been met.

K. LIMITED ASSURANCE REVIEW**Internal audit requirement**

If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")

Recommended minimum testing:

- The correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline
- That it has been published, together with all required information on the Authority's website and noticeboard

Audit findings

The council did not certify itself exempt in 2020/21 due to exceeding the income and expenditure limits and this test does not apply.

Section conclusion

I am of the opinion that the control assertion of "If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt" is not applicable as the authority had a limited assurance review of its 2020/21 AGAR.

L: TRANSPARENCY (INTERIM AND FINAL AUDIT)**Internal audit requirement**

If the authority has an annual turnover not exceeding £25,000, it publishes information on a website / webpage up to date at the time of the internal audit in accordance with the Transparency Code for Smaller Authorities

Recommended minimum testing:

- This test applies only to those councils covered by the £25,000 External Audit exemption
- Internal auditors should review the authority's website ensuring that all required documentation is published in accordance with the Transparency Code for Smaller Authorities

Audit findings

The council has an annual turnover exceeding £25,000, and this test does not apply.

Section conclusion

I am of the opinion that the control assertion of “If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/ webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities” is not applicable as the council’s turnover exceeds £25,000.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS**Internal audit requirement**

The authority has demonstrated that during summer 2021 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Recommended minimum testing:

- Internal auditors should acquire / examine a copy of the required “Public Notice” ensuring that it clearly identifies the statutory 30 working day period when the authority’s records are available for public inspection.
- Internal auditors may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

Audit findings

| Inspection - Key date | 2020/21 Actual | 2021/22 Proposed |
|-------------------------------|-------------------|---------------------|
| Date Inspection Notice Issued | 11 June 2021 | 10 June 2022 |
| Inspection period begins | 14 June 2021 | 13 June 2022 |
| Inspection period ends | 23 July 2021 | 22 July 2022 |
| Correct length | Yes | Yes |
| Common period included? | Yes | Yes |

Section conclusion

I am of the opinion the control objective of “The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)” has been met.

N: PUBLICATION REQUIREMENTS**Internal audit requirement**

The authority has complied with the publication requirements for 2020/21. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Recommended minimum testing:

- Internal auditors should acquire / examine a copy of the required “Public Notice” ensuring that it clearly identifies the statutory 30 working day period when the authority’s records are available for public inspection.
- Internal auditors may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

Before 1 July 2021 authorities must publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited
- Section 1 - Annual Governance Statement 2020/21, approved and signed, page 4
- Section 2 - Accounting Statements 2020/21, approved and signed, page 5

Not later than 30 September 2021 authorities must publish:

- Notice of conclusion of audit
- Section 3 - External Auditor Report and Certificate
- Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

Audit findings

I was able to confirm that the publication requirements for 2020/21 were met based on the information published on the council website.

Section conclusion

I am of the opinion that the control assertion of “the authority has complied with the publication requirements for 2019/20 AGAR. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage” has been met.

O. TRUSTEESHIP

Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

Recommended minimum testing:

- Confirm that all charities of which the council is a Trustee are up to date with Charity Commission filing requirements
- that the council is the sole trustee on the Charity Commission register
- that the council is acting in accordance with the Trust deed
- that the charity meetings and accounts are recorded separately from those of the council
- review the level and activity of the charity and where a risk-based approach suggests such, review the Independent Examiner’s report

Audit findings

The council has no trusts.

Section conclusion

I am of the opinion that the control assertion of “Trust funds (including charitable) – The council met its responsibilities as a trustee” is not applicable as the council has no trusts.

Should you have any queries please do not hesitate to contact me.

Yours sincerely



Andy Beams

For Mulberry & Co

9. REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL FOR GODALMING TOWN COUNCIL AND GODALMING JOINT BURIAL COMMITTEE

Background

1. Paragraph 4 of the Accounts and Audit (England) Regulations 2011 says the following:

4. (1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

(2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.

(3) The findings of the review referred to in paragraph (2) must be considered—

(a) in the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and

(b) in the case of a smaller relevant body, by the members of the body meeting as a whole, and

following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

(4) The relevant body must ensure that the statement referred to in paragraph (3) accompanies—

(a) any statement of accounts it is obliged to prepare in accordance with regulation 7, or

(b) any accounting statement it is obliged to prepare in accordance with regulation 12.

(Members to note that for the purposes of the Accounts and Audit Regulations Godalming Town Council and the Godalming Joint Burial Committee are both smaller relevant bodies.)

2. It is part of the role of the Audit Committee to undertake a rolling programme of work that goes to inform the Council's review of the effectiveness of its system of internal control and the work programme forms part of the Council's evidence base. The Audit Committee also undertakes that work on behalf of the Godalming Joint Burial Committee, although as previously discussed in that case the relationship is different – the Audit Committee is not a committee of the Joint Burial Committee but Councillor Stubbs represents the JBC on the Audit Committee.

3. It is the normal practice of Godalming Town Council and of the Godalming Joint Burial Committee to undertake reviews of the effectiveness of internal control covering the financial year end to 31 March. In addition to its ongoing reviews this Committee will undertake two formal reviews, which together make up the "review of the effectiveness of systems of internal control". The first of these is this report and will inform the reviews to be undertaken by Full Council on 28 April 2022 and the Godalming Joint Burial

Committee on 9 June 2022. The second is on this agenda when this Committee reviews the annual governance statement alongside the statement of accounts.

Effectiveness of Systems of Internal Control

4. Members are asked to consider whether the Audit Committee's work programme deals adequately with the internal systems of control?
5. Members are further asked to address specifically the question of the effectiveness of audit and to do that by considering the questions and suggested responses shown below:
 - **Scope of Audit**

Has the scope of the internal audit been discussed with the Internal Auditor to ensure that all the relevant risks are covered?

 - The scope of the internal audit had been discussed with the Internal Auditor in order to ensure that all the relevant risks were covered. Each year the Internal Auditor reviews the accounting statements and then focuses on a different element of the Governance Statement, with all elements being covered in a four-year rolling programme.
 - **Independence**

Is the Internal Auditor sufficiently independent, objective and unbiased?

 - The Internal Auditor is sufficiently independent, objective and unbiased evidenced by the fact that Mulberry & Co is an external accountancy firm trading independently. Mulberry & Co has a particular specialism in Town and Parish Councils. Members to note that it is good practice to change the Internal Auditor and Godalming Town Council performed a market test in the 2017/18 financial year which resulted in Mulberry & Co being reappointed. However, in order to ensure familiarity does not become an issue, the person performing the audit is changed periodically (person one performed the financial years 2016/17, 2017/18 and 2018/19, person two performed the financial years 2019/20 and 2020/21 and a third person has performed the 2021/22 financial year).
 - **Competence**

Does the Internal Auditor have sufficient knowledge to be able to carry out the audit?

 - The Internal Auditor has sufficient knowledge to be able to carry out the audit as demonstrated by the fact that Mark Mulberry (the Internal Auditor) is a Chartered Certified Accountant and Registered Auditor.
 - **Relationships**

Are the relevant responsibilities of Members, Clerk and RFO clearly defined?

 - The relevant responsibilities of Members, Clerk and RFO are clearly defined in the job description for the Clerk and RFO and the terms of reference of the Audit Committee. There are also clear definitions of responsibility in Financial Regulations which are reviewed at least annually.

- **Audit Planning & Reporting**
Is the body aware of a timetable of when the internal and external audits will take place and when the reports from these will be expected?
- The Committee is made aware of the timetable of when the internal and external audits will take place and when the reports from these would be expected. The last interim internal audit was conducted on the 7 September 2021 and reported at the Audit Committee meeting on the 3 February 2022. The Committee's observations then accompanied the Internal Audit Report to the Full Council on the 8 April 2022. The final Internal Audit was completed on 14 April 2022 and will be reported at the next Audit Committee meeting on 25 April 2022. At its meeting on the 28 April 2022 Full Council should formally agree the annual return including the statement of accounts and the annual governance statement. The annual return is to be sent to the External Auditor thereafter and the expectation is that it should be received back by the 30 September 2022. The annual return will be considered at the next scheduled meeting following its receipt from the External Auditor.

Internal Audit Process

6. The Committee is further asked to consider the following questions and suggested responses with regard to internal audit arrangements.

Is the work of the Internal Audit reviewed regularly?

- The work of the Internal Auditor is reviewed regularly; initially by Officers, then in detail by the Audit Committee. Findings and recommendations of the Audit Committee are reported to Full Council.

Are the reports on the work of the Internal Auditor presented to the Committee?

- The reports on the work of the Internal Auditor are presented to the Audit Committee; the most recent included on Audit Committee meeting dated the 25 January 2022.

Are the reviews and risk assessments undertaken from the Work Programme by the Audit Committee on behalf of the Joint Burial Committee reported to the Committee?

- The Godalming Joint Burial Committee performed its own risk assessments at its meeting on the 21 January 2021.

Does the Audit Committee provide regular reports relating to its recommendations and the agreed Work Programme to the Full Council?

- The Audit Committee reported to Full Council on the 23 September 2021 (Min Nos. 297-21, 302-21 and 303-21 refer) and 13 January 2022 (Min Nos. 423-21, refer).

Are the annual reports from the Internal Auditor presented to the Committee?

- The Annual Reports from the Internal Auditor are usually presented to the Audit Committee and then received by Full Council (see above for dates).

During the 2018-19 financial year, the Council went out to market to appoint their Internal Audit function for the 2018/19 financial year onwards. As a result of this exercise, Mulberry & Co was reappointed.

External Audit Process

7. The Committee is further asked to consider the following questions and suggested responses with regard to external audit arrangements.

Are the annual reports from the External Auditor presented to the Committee?

- The Annual Reports from the External Auditor relating to Godalming Town Council are presented to the Audit Committee, the most recent being brought to Full Council on the 23 September 2021.

Does the Committee ensure that recommendations from the External Auditor are implemented?

- If there are recommendations from the External Auditor then Members ensure that they are implemented. There were no recommendations for the 2020/21 financial year.

PK Littlejohn LLP will be the External Auditor for Godalming Town Council for the 2021/22 financial year and BDO will be the External Auditor for the Godalming Joint Burial Committee.

Characteristics of the Review

8. Finally, the Council is asked to consider the following questions and suggested responses about the overall characteristics of this review.

Can it be seen as a Catalyst for Change?

- Yes, the evidence being the Work Programme and the reviews undertaken to assess risk and the areas that are developed from these reviews.

Does it Add Value?

- Yes, value is provided by the follow-up actions that are taken from the work programme to make improvements to enhance our services and reduce risk.

Is it Forward Looking?

- Yes, the review identifies risks and incorporates them into the Audit Committee's Work Programme, which is reviewed and updated at each meeting of the Committee to ensure it is forward looking and meeting events.

Is it Challenging?

- Yes, the Audit Committee has created its own Work Programme identifying areas and risks over and above the norm that are considered and are reviewed on a regular basis to ensure compliance and to allow Members to take ownership of the risks and how they are managed to meet best practice.

Are the right resources available for the Internal Auditor to complete its work?

- Sufficient budget exists to meet internal audit fees (and additional professional fees budget and/or reserves should unexpected circumstances demand more internal audit input is available if required). Good communication lines exist between the Internal Auditor and the Council's Officers and contracted staff.

Section 1 – Annual Governance Statement 2021/22

We acknowledge as the members of:

ENTER NAME OF AUTHORITY

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2022, that:

| | Agreed | | 'Yes' means that this authority: |
|---|--------|-----|--|
| | Yes | No* | |
| 1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements. | | | <i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i> |
| 2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness. | | | <i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i> |
| 3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances. | | | <i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i> |
| 4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations. | | | <i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i> |
| 5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required. | | | <i>considered and documented the financial and other risks it faces and dealt with them properly.</i> |
| 6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems. | | | <i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i> |
| 7. We took appropriate action on all matters raised in reports from internal and external audit. | | | <i>responded to matters brought to its attention by internal and external audit.</i> |
| 8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements. | | | <i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i> |
| 9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit. | Yes | No | N/A <i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i> |

*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.

This Annual Governance Statement was approved at a meeting of the authority on:

DD/MM/YY

and recorded as minute reference:

MINUTE REFERENCE

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman

SIGNATURE REQUIRED

Clerk

SIGNATURE REQUIRED

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

10. ANNUAL GOVERNANCE STATEMENT

The Audit Committee to consider the Town Council's Annual Governance Statement for the Financial Year ended 31 March 2022 specifically considering the answers to the questions posed by the Annual Governance Statement. The proposed answers are shown below and are recommended to the Audit Committee.

| | Statement <i>Godalming Town Council</i> | Recommended Answer | Evidence |
|---|--|-------------------------------|---|
| 1 | We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements. | YES | Use RBS accounting software – Officers have received training on the use of it. Increased the frequency of budget monitoring – detailed reports to each ordinary meeting of the Policy & Management Committee. |
| 2 | We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness. | YES | Adequate systems of internal control maintained as evidenced by the Audit Committee's Work Programme and item on this agenda. By the introduction of new systems and controls whenever required. Assurances of Internal Audit reports Performed a separate review of the effectiveness of the Council's systems of internal control as recorded in the minutes. |
| 3 | We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or manage its finances. | YES | We employ competent staff and maintain an adequate budget for external professional advice augmented as required for specific additional advice. Staff attend sector specific conferences to ensure they are kept abreast of changes in the law. |
| 4 | We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations. | YES | Relevant notices displayed outside the Town Council offices as per the Accounts & Audit Regulations. The notices are also displayed on our website. In addition, ad hoc queries during the year are addressed fully. |
| 5 | We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required. | YES | Risk Assessments are all available for inspection in the Council's offices and on-going programme of risk analysis as part of the Audit Committee's Work Programme. Insurance schedule updated each year to reflect changes. |

| | | | |
|---|---|-----|---|
| 6 | We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems. | YES | Report of the Internal Auditor was received by the Audit Committee on 3 February 2022. Report of the External Auditor was received by the Audit Committee on the 16 September 2021. A further report from the Internal Auditor is on the agenda for this meeting. |
| 7 | We took appropriate action on all matters raised in reports from internal and external audit. | YES | Minutes Full Council 303-21 and on agenda for 28 April 2022. |
| 8 | We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements. | YES | Annual provision made in reserves for election expenses; ear marked reserves are used to provide for other potential commitments. |
| 9 | (For local council only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit. | N/A | This Council manages no trust funds. |

Section 2 – Accounting Statements 2021/22 for

ENTER NAME OF AUTHORITY

| | Year ending | | Notes and guidance |
|--|--------------------|--------------------|--|
| | 31 March 2021 £ | 31 March 2022 £ | |
| | | | <i>Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records.</i> |
| 1. Balances brought forward | | | <i>Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.</i> |
| 2. (+) Precept or Rates and Levies | | | <i>Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.</i> |
| 3. (+) Total other receipts | | | <i>Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.</i> |
| 4. (-) Staff costs | | | <i>Total expenditure or payments made to and on behalf of all employees. Include gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments.</i> |
| 5. (-) Loan interest/capital repayments | | | <i>Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).</i> |
| 6. (-) All other payments | | | <i>Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).</i> |
| 7. (=) Balances carried forward | | | <i>Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).</i> |
| 8. Total value of cash and short term investments | | | <i>The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.</i> |
| 9. Total fixed assets plus long term investments and assets | | | <i>The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.</i> |
| 10. Total borrowings | | | <i>The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).</i> |
| 11. (For Local Councils Only) Disclosure note re Trust funds (including charitable) | Yes | No | N/A |
| | | | |
| | | | <i>The Council, as a body corporate, acts as sole trustee for and is responsible for managing Trust funds or assets.</i> |
| | | | <i>N.B. The figures in the accounting statements above do not include any Trust transactions.</i> |

I certify that for the year ended 31 March 2022 the Accounting Statements in this Annual Governance and Accountability Return have been prepared on either a receipts and payments or income and expenditure basis following the guidance in Governance and Accountability for Smaller Authorities – a Practitioners' Guide to Proper Practices and present fairly the financial position of this authority.

Signed by Responsible Financial Officer before being presented to the authority for approval

SIGNATURE REQUIRED

Date

DD/MM/YY

I confirm that these Accounting Statements were approved by this authority on this date:

DD/MM/YY

as recorded in minute reference:

MINUTE REFERENCE

Signed by Chairman of the meeting where the Accounting Statements were approved

SIGNATURE REQUIRED

From: admin@saaa.co.uk
To: [Lynne Purnell](#)
Subject: External audit service
Date: 16 February 2022 09:17:38
Attachments: [image001.png](#)

FAO: Joan Heagin
Chair of Audit Committee
Godalming Town Council

Thank-you for your letter dated 3 February 2022 to SAAA in respect of the qualified audit opinion issued by PKF Littlejohn for 2020-21.

The audit regime for smaller authorities aims to be proportionate, therefore only a limited assurance review rather than full audit is carried out as the external auditors deal with 10,000 smaller authorities annually.

Therefore the auditors do rely on the accuracy of information submitted by authorities and are not obliged to double check the information prior to issuing an audit certificate; however, out of courtesy they do sometimes double check if the information may be a simple error and usually allow a reasonable time for a response.

The auditor is correct in stating that once issued an audit certificate cannot be reissued, but they have issued a letter for publication alongside the certificate

SAAA does have performance standards for auditors and undertakes annual quality reviews of the audit firms which includes all complaints, therefore SAAA will raise your specific case with the lead partner at PKF Littlejohn.

Yours

General office team
admin@saaa.co.uk
0207 543 5817

saaa

Smaller Authorities'
Audit Appointments

www.saaa.co.uk • SAAA Ltd, 77 Mansell Street, London E1 8AN

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Leading health and safety at work

Actions for directors, board members, business owners and organisations of all sizes



This is a web-friendly version of leaflet INDG417(rev1), published 06/13

Introduction

This guidance sets out an agenda for the effective leadership of health and safety. It is designed for use by all directors, governors, trustees, officers and their equivalents in the private, public and third sectors. It applies to organisations of all sizes.*

Protecting the health and safety of employees or members of the public who may be affected by your activities is an essential part of risk management and must be led by the board.

Failure to include health and safety as a key business risk in board decisions can have catastrophic results. Many high-profile safety cases over the years have been rooted in failures of leadership.

Health and safety law places duties on organisations and employers, and directors can be personally liable when these duties are breached: members of the board have both collective and individual responsibility for health and safety.

By following this guidance, you will help your organisation find the best ways to lead and promote health and safety, and therefore meet its legal obligations.

The starting points are the following essential principles. These principles are intended to underpin the actions in this guidance and so lead to good health and safety performance.

Essential principles

- Strong and active leadership from the top:
 - visible, active commitment from the board;
 - establishing effective 'downward' communication systems and management structures;
 - integration of good health and safety management with business decisions.
- Worker involvement:
 - engaging the workforce in the promotion and achievement of safe and healthy conditions;
 - effective 'upward' communication;
 - providing high-quality training.
- Assessment and review:
 - identifying and managing health and safety risks;
 - accessing (and following) competent advice;
 - monitoring, reporting and reviewing performance.

* The Health and Safety Executive (HSE) has further advice on leadership for small businesses and major hazard industries – see 'Key resources' section.

In this guidance

The following pages set out:

- a four-point agenda for embedding the essential health and safety principles;
- a summary of legal liabilities;
- a checklist of key questions for leaders;
- a list of resources and references for implementing this guidance in detail.

The agenda consists of:

- core actions for boards and individual board members that relate directly to the legal duties of an organisation. These actions are intended to set a standard;
- guidelines that set out ways to give the core actions practical effect. These guidelines provide ideas on how you might achieve the core actions;
- case studies selected to be relevant to most sectors.

A website, www.hse.gov.uk/leadership, provides links to all the resources mentioned. It includes online and downloadable versions of this guidance and further advice for small enterprises.

Benefits of good health and safety

Addressing health and safety should not be seen as a regulatory burden: it offers significant opportunities. Benefits can include:

- reduced costs and reduced risks – employee absence and turnover rates are lower, accidents are fewer, the threat of legal action is lessened;
- improved standing among suppliers and partners;
- a better reputation for corporate responsibility among investors, customers and communities;
- increased productivity – employees are healthier, happier and better motivated.

Costs of poor health and safety at work

HSE statistics reveal the human and financial cost of failing to address health and safety. Each year:

- Millions of working days are lost due to work-related illness and injury.
- Thousands of people die from occupational diseases.
- Around a million workers self-report suffering from a work-related illness.
- Several hundred thousand workers are injured at work.
- A worker is fatally injured almost every working day.

Organisations can incur further costs – such as uninsured losses and loss of reputation.

For the latest statistics see: www.hse.gov.uk/statistics/index.htm

Legal responsibilities of employers

Health and safety law states that employers must:

- assess risks to employees, customers, partners and any other people who could be affected by their activities;
- arrange for the effective planning, organisation, control, monitoring and review of preventive and protective measures;

- have a written health and safety policy if they have five or more employees;
- ensure they have access to competent health and safety advice;
- consult employees about their risks at work and current preventive and protective measures.

Failure to comply with these requirements can have serious consequences – for both organisations and individuals. Sanctions include fines, imprisonment and disqualification.

Under the Corporate Manslaughter and Corporate Homicide Act 2007, an offence will be committed where failings by an organisation's senior management are a substantial element in any gross breach of the duty of care owed to the organisation's employees or members of the public, which results in death.

The maximum penalty is an unlimited fine and the court can additionally make a publicity order requiring the organisation to publish details of its conviction and fine. (See also the back page of this guidance for the legal status of this advice.)

“Health and safety is integral to success. Board members who do not show leadership in this area are failing in their duty as directors and their moral duty, and are damaging their organisation.”

“Health and safety is a fundamental part of business. Boards need someone with passion and energy to ensure it stays at the core of the organisation.”

“An organisation will never be able to achieve the highest standards of health and safety management without the active involvement of directors. External stakeholders viewing the organisation will observe the lack of direction.”

“Board level involvement is an essential part of the 21st Century trading ethic. Attitudes to health and safety are determined by the bosses, not the organisation's size.”

Quotes from health and safety leaders in the public and private sectors.

Plan

Case study – North Staffordshire Combined Healthcare NHS Trust

The board found itself facing service improvement targets. Using new corporate and clinical guidance, it set about taking a 'whole systems' approach to managing corporate risk, giving one of its directors responsibility for the leadership of health and safety for the first time. Health and safety was also made a key item on the board agenda.

This has resulted in a much better integrated health and safety management system that increases the opportunity to identify and manage all corporate risks, and a much more open culture, improving reporting and monitoring. The board actively promotes a culture that gives staff the confidence to report incidents. This has resulted in:

- 16% reduction in incidence rates over two years;
- 10% reduction in insurance premiums.

The board should set the direction for effective health and safety management. Board members need to establish a health and safety policy that is much more than a document – it should be an integral part of your organisation's culture, of its values and performance standards.

All board members should take the lead in ensuring the communication of health and safety duties and benefits throughout the organisation. Executive directors must develop policies to avoid health and safety problems and must respond quickly where difficulties arise or new risks are introduced; non-executives must make sure that health and safety is properly addressed.

Core actions

To agree a policy, boards will need to ensure they are aware of the significant risks faced by their organisation.

The policy should set out the board's own role and that of individual board members in leading the health and safety of its organisation. It should require the board to:

- 'own' and understand the key issues involved;
- decide how best to communicate, promote and champion health and safety.

The health and safety policy is a 'living' document and it should evolve over time, eg in the light of major organisational changes such as restructuring or a significant acquisition.

How it can be done

- Health and safety should appear regularly on the agenda for board meetings.
- The chief executive can give the clearest visibility of leadership, but some boards find it useful to name one of their number as the health and safety 'champion'.
- The presence on the board of a health and safety director can be a strong signal that the issue is being taken seriously and that its strategic importance is understood.
- Setting targets helps define what the board is seeking to achieve.
- A non-executive director can act as a scrutineer – ensuring the processes to support boards facing significant health and safety risks are robust.

Corporate governance

For many organisations, health and safety is a corporate governance issue. The board should integrate health and safety into the main governance structures, including board sub-committees, such as risk, remuneration and audit.

The Turnbull guidance on the Combined Code on Corporate Governance requires listed companies to have robust systems of internal control, covering not just 'narrow' financial risks but also risks relating to the environment, business reputation and health and safety.

Do

Case study – British Sugar

British Sugar had an excellent safety record and was devastated in 2003 when it suffered three fatalities.

Although health and safety had always been a business priority, the company recognised that a change in focus was needed to achieve behavioural change. This included:

- the CEO assigning health and safety responsibilities to all directors, and monthly reports go to the board;
- creating effective working partnerships with employees, trade unions and others;
- overseeing a behavioural change programme and audits;
- publishing annual health and safety targets, and devising initiatives to meet them.

Results included:

- a two-thirds reduction in both lost time and minor injury frequency rates over a ten-year period;
- much greater understanding by directors of health and safety risks.

Delivery depends on an effective management system to ensure, so far as reasonably practicable, the health and safety of employees, customers and members of the public.

Organisations should aim to protect people by introducing management systems and practices that ensure risks are dealt with sensibly, responsibly and proportionately.

Core actions

To take responsibility and ‘ownership’ of health and safety, members of the board must ensure that:

- health and safety arrangements are adequately resourced;
- they obtain competent health and safety advice;
- risk assessments are carried out;
- employees or their representatives are involved in decisions that affect their health and safety.

The board should consider the health and safety implications of introducing new processes, new working practices or new personnel, dedicating adequate resources to the task and seeking advice where necessary.

Boardroom decisions must be made in the context of the organisation’s health and safety policy; it is important to ‘design-in’ health and safety when implementing change.

How it can be done

- Leadership is more effective if visible board members can reinforce health and safety policy by being seen on the ‘shop floor’, following all safety measures themselves and addressing any breaches immediately.
- Consider health and safety when deciding senior management appointments.
- Having procurement standards for goods, equipment and services can help prevent the introduction of expensive health and safety hazards.
- The health and safety arrangements of partners, key suppliers and contractors should be assessed; their performance could adversely affect yours.
- Setting up a separate risk management or health and safety committee as a subset of the board, chaired by a senior executive, can make sure the key issues are addressed and guard against time and effort being wasted on trivial risks and unnecessary bureaucracy.
- Providing health and safety training to some or all of the board can promote understanding and knowledge of the key issues in your organisation.
- Supporting worker involvement in health and safety can improve participation and help prove your commitment.

Check

Case study – *Mid and West Wales Fire and Rescue Service*

Mid and West Wales Fire and Rescue Service recognised that it was critical to demonstrate to staff that health and safety was fundamental to the success of its overall service delivery – and that commitment to health and safety came from the top of the organisation.

The director of service policy and planning was made health and safety director, and implemented a revised framework for health and safety. The director made site visits to engage the workforce and placed renewed emphasis on the need to improve incident reporting, investigation and monitoring procedures. The service has reported:

- £100 000 reduction in insurance liability premiums in one year through improved corporate strategic risk management;
- 50% reduction in sickness absence resulting from work-related injury over two years;
- 50% reduction in injury rates over three years.

Monitoring and reporting are vital parts of a health and safety culture. Management systems must allow the board to receive both specific (eg incident-led) and routine reports on the performance of health and safety policy.

Much day-to-day health and safety information need be reported only at the time of a formal review. But only a strong system of monitoring can ensure that the formal review can proceed as planned – and that relevant events in the interim are brought to the board's attention.

Core actions

The board should ensure that:

- appropriate weight is given to reporting both preventive information (such as progress of training and maintenance programmes) and incident data (such as accident and sickness absence rates);
- periodic audits of the effectiveness of management structures and risk controls for health and safety are carried out;
- the impact of changes such as the introduction of new procedures, work processes or products, or any major health and safety failure, is reported as soon as possible to the board;
- there are procedures to implement new and changed legal requirements and to consider other external developments and events.

How it can be done

- Effective monitoring of sickness absence and workplace health can alert the board to underlying problems that could seriously damage performance or result in accidents and long-term illness.
- The collection of workplace health and safety data can allow the board to benchmark the organisation's performance against others in its sector.
- Appraisals of senior managers can include an assessment of their contribution to health and safety performance.
- Boards can receive regular reports on the health and safety performance and actions of contractors.
- Some organisations have found they win greater support for health and safety by involving workers in monitoring.

Act

Case study – Sainsbury's

Sainsbury's rethought its approach to health and safety after an external audit highlighted the need for a more unified approach across the company. The key element was a health and safety vision, set out by the group HR director and backed by a plan that included targets over three years.

As part of the plan, all board directors were given training on health and safety responsibilities. Health and safety now regularly features on board agendas. The business benefits include:

- 17% reduction in sickness absence;
- 28% reduction in reportable incidents;
- improved morale and pride in working for the company, as indicated by colleague surveys.

A formal boardroom review of health and safety performance is essential. It allows the board to establish whether the essential health and safety principles – strong and active leadership, worker involvement, and assessment and review – have been embedded in the organisation. It tells you whether your system is effective in managing risk and protecting people.

Core actions

The board should review health and safety performance at least once a year. The review process should:

- examine whether the health and safety policy reflects the organisation's current priorities, plans and targets;
- examine whether risk management and other health and safety systems have been effectively reporting to the board;
- report health and safety shortcomings, and the effect of all relevant board and management decisions;
- decide actions to address any weaknesses and a system to monitor their implementation;
- consider immediate reviews in the light of major shortcomings or events.

How it can be done

- Performance on health and safety and wellbeing is increasingly being recorded in organisations' annual reports to investors and stakeholders.
- Board members can make extra 'shop floor' visits to gather information for the formal review.
- Good health and safety performance can be celebrated at central and local level.

Auditing and reporting

Larger public and private sector organisations need to have formal procedures for auditing and reporting health and safety performance.

The board should ensure that any audit is perceived as a positive management and boardroom tool. It should have unrestricted access to both external and internal auditors, keeping their cost-effectiveness, independence and objectivity under review.

Various codes and guides (many of them sector-specific) are available to help organisations report health and safety performance and risk management as part of good governance. See the 'Key resources' section.

When leadership falls short

When board members do not lead effectively on health and safety management the consequences can be severe. These examples mark issues for all boards to consider.

Competent advice, training and supervision

Following the fatal injury of an employee maintaining machinery at a recycling firm employing approximately 30 people, a company director received a 12-month custodial sentence for manslaughter. The machinery was not properly isolated and started up unexpectedly.

An HSE and police investigation revealed there was no safe system of work for maintenance, instruction, training and supervision were inadequate.

HSE's investigating principal inspector said: 'Evidence showed that the director chose not to follow the advice of his health and safety advisor and instead adopted a complacent attitude, allowing the standards in his business to fall.'

Monitoring

The managing director of a manufacturing company with around 100 workers was sentenced to 12 months' imprisonment for manslaughter following the death of an employee who became caught in unguarded machinery.

The investigation revealed that, had the company adequately maintained guarding around a conveyor, the death would have been avoided. The judge made clear that whether the managing director was aware of the situation was not the issue; he should have known as this was a long-standing problem. An area manager also received a custodial sentence. The company received a substantial fine and had to pay the prosecution's costs.

Risk assessment

A company and its officers were fined a total of £245 000 and ordered to pay costs of £75 500 at Crown Court in relation to the removal of asbestos. The company employed ten, mostly young, temporary workers; they were not trained or equipped to safely remove the asbestos, nor warned of its risk. The directors were also disqualified from holding any company directorship for two years and one year respectively.

Legal liability of individual board members for health and safety failures

If a health and safety offence is committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other similar officer of the organisation, then that person (as well as the organisation) can be prosecuted under section 37 of the Health and Safety at Work etc Act 1974.

Recent case law has confirmed that directors cannot avoid a charge of neglect under section 37 by arranging their organisation's business so as to leave them ignorant of circumstances which would trigger their obligation to address health and safety breaches.

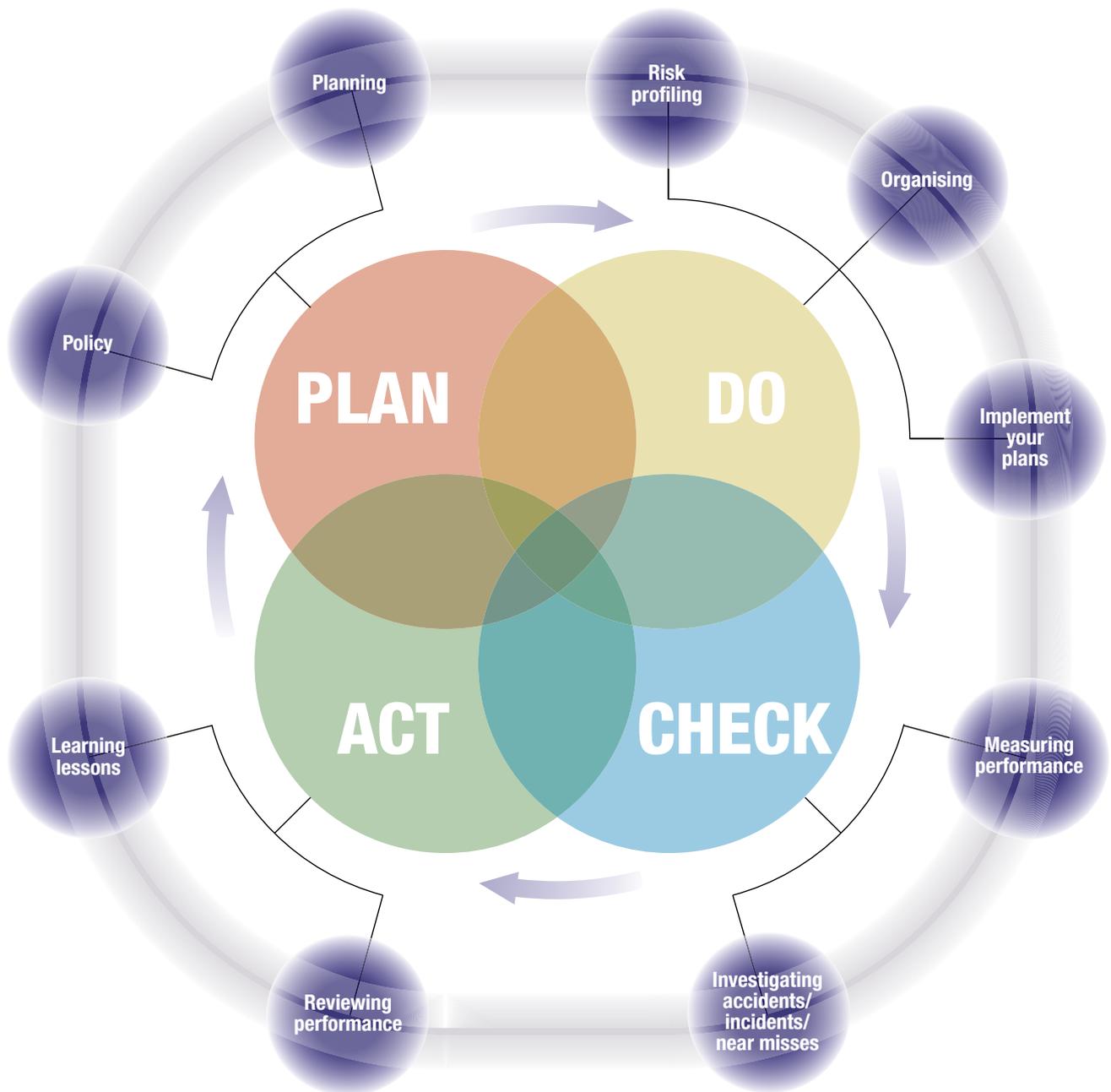
Those found guilty are liable for fines and imprisonment. In addition, the Company Directors Disqualification Act 1986, section 2(1), empowers the court to disqualify an individual convicted of an offence in connection with the management of a company. This includes health and safety offences. This power is exercised at the discretion of the court; it requires no additional investigation or evidence.

Individual directors are also potentially liable for other related offences, such as the common law offence of gross negligence manslaughter.

Under the common law, gross negligence manslaughter is proved when individual officers of a company (directors or business owners) cause death by their own grossly negligent behaviour. This offence is punishable by an unlimited fine and a maximum of life imprisonment.

Note: equivalent legislation exists in Northern Ireland, ie article 34A of the Health and Safety at Work (Northern Ireland) Order 1978 and article 3(1) of the Company Directors Disqualification (Northern Ireland) Order 2002.

Plan, Do, Check, Act



Health and safety checklist

Plan

- How do you demonstrate the board's commitment to health and safety?

www.hse.gov.uk/toolbox/managing/writing.htm

Notes

Do

- What have you done to ensure your organisation, at all levels including the board, receives competent health and safety advice?

www.hse.gov.uk/toolbox/managing/deciding.htm

- How are you ensuring all staff – including the board – are sufficiently trained and competent in their health and safety responsibilities?

Health and safety training: A brief guide

www.hse.gov.uk/pubns/indg345.htm

- How confident are you that your workforce, particularly safety representatives, are consulted properly on health and safety matters, and that their concerns are reaching the appropriate level including, as necessary, the board?

www.hse.gov.uk/involvement

- What systems are in place to ensure your organisation's risks are assessed, and that sensible control measures are established and maintained?

www.hse.gov.uk/toolbox/managing/managingtherisks.htm

Notes

Check

- How well do you know what is happening on the ground, and what audits or assessments are undertaken to inform you about what your organisation and contractors actually do?
- What information does the board receive regularly about health and safety, eg performance data and reports on injuries and work-related ill health?

www.hse.gov.uk/leadership/auditing.htm

- Do you compare your performance with others in your sector or beyond?
- Where changes in working arrangements have significant implications for health and safety, how are these brought to the attention of the board?

Notes

Act

- What do you do to ensure appropriate board-level review of health and safety?

Successful health and safety management HSG65
www.hse.gov.uk/pubns/books/HSG65.htm

Notes

Key resources

A dedicated web page has been created to provide boards and board members with further advice and guidance. It includes links to various publications and websites, as well as online versions of this guidance.

The web page can be found at: www.hse.gov.uk/leadership

You can get further information from the following organisations:

Health and Safety Executive (HSE) (www.hse.gov.uk)

- Managing for health and safety website www.hse.gov.uk/managing/
- *Successful health and safety management* HSG65 www.hse.gov.uk/pubns/books/hsg65.htm
- *Leadership for the major hazard industries: Effective health and safety management* Leaflet INDG277(rev1) HSE Books 2004 www.hse.gov.uk/pubns/indg277.htm

Health and Safety Executive for Northern Ireland (www.hseni.gov.uk)

Institute of Directors (IoD) (www.iod.com)

- dedicated web page at: www.iod.com/hsguide
- *Wellbeing at work: A Director's Guide* IoD 2006 ISBN 978 1 9045 2048 1

Institution of Occupational Safety and Health (IOSH) (www.iosh.co.uk)

- *Questioning performance: The director's essential guide to health, safety and the environment* IOSH ISBN 978 0 901357 37 3
- toolkits
- competent health and safety assistance

Royal Society for the Prevention of Accidents (RoSPA) (www.rosipa.com)

- DASH: Director Action on Safety and Health
- GoPoP: Going Public on Performance – measuring and reporting on health and safety performance
- case studies

Trades Union Congress (TUC) (www.tuc.org.uk)

- safety representatives

European Agency for Safety and Health at Work (www.osha.europa.eu)

Further information

For information about health and safety, or to report inconsistencies or inaccuracies in this guidance, visit www.hse.gov.uk. You can view HSE guidance online and order priced publications from the website. HSE priced publications are also available from bookshops.

This guidance, issued jointly by the Institute of Directors and the Health and Safety Executive, is addressed to directors (and their equivalents) of corporate bodies and of organisations in the public and third sectors.

This guidance is issued by the Health and Safety Executive. Following the guidance is not compulsory, unless specifically stated, and you are free to take other action. But if you do follow the guidance you will normally be doing enough to comply with the law. Health and safety inspectors seek to secure compliance with the law and may refer to this guidance.

In considering the liability of an organisation under the Corporate Manslaughter and Corporate Homicide Act 2007, a jury must consider any breaches of health and safety legislation and may have regard to any health and safety guidance. In addition to other health and safety guidance, this guidance could be a relevant consideration for a jury depending on the circumstances of the particular case.

This leaflet is available at www.hse.gov.uk/pubns/indg417.htm.

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GODALMING TOWN COUNCIL

Disclosure by a Member¹ of a disclosable pecuniary interest or a non-pecuniary interest in a matter under consideration at a meeting (S.31 (4) Localism Act 2011 and the adopted Godalming Members’ Code of Conduct).

As required by the Localism Act 2011 and the adopted Godalming Members’ Code of Conduct, **I HEREBY DISCLOSE**, for the information of the authority that I have [a disclosable pecuniary interest]² [a non-pecuniary interest]³ in the following matter:-

COMMITTEE:

DATE:

NAME OF COUNCILLOR: _____

Please use the form below to state in which agenda items you have an interest.

| Agenda No. | Subject | Disclosable Pecuniary Interest | Non-Pecuniary Interest | Reason |
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Signed _____

Dated _____

¹ “Member” includes co-opted member, member of a committee, joint committee or sub-committee

² A disclosable pecuniary interest is defined by the Relevant Authorities (Disclosable Pecuniary Interests) regulations 2012/1464 and relate to employment, office, trade, profession or vocation, sponsorship, contracts, beneficial interests in land, licences to occupy land, corporate tenancies and securities

³ A non-pecuniary interest is defined by Section 5 (4) of the Godalming Members’ Code of Conduct.