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Our Ref: MARK/HEA003

Mrs T Hamer
Headley Parish Council
The Farmhouse
Floods Farm
Sherfield on Loddon
HOOK
RG27 0AA

4th May 2020

Dear Tracy

Re: Headley Parish Council
Internal Audit Year Ended 31st March 2020

Following completion of our internal audit on the 4th May 2020 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. Where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. The internal audit reports should therefore be made available to all members to support and inform them when they considering the authority's approval of the annual governance statement.

Audit – Summary Findings

It is our opinion that the systems and internal procedures at Headley Parish Council are well established, regulated and followed. It is clear the council takes policies and procedures very seriously and I am pleased to report that overall the systems and procedures you have in place are entirely fit for purpose.

I am of the opinion that the annual accounts and AGAR are ready to be signed off by council and the exemption certificate is a true and fair reflection of the financial transactions of that of the council for the year ended 31st March 2020. Accordingly, I have signed off the AGAR.

A. BOOKS OF ACCOUNT

The council continues to use Ezipz and excel for recording the day to day transactions of that of the council. On average there are approximately a half dozen transactions per month and the package is populated on a regular basis. The clerk produces in hard and soft copy a bi-monthly bank reconciliation, a payment list and authorisation list together with bi-monthly budget monitoring.

My audit testing showed that supporting documentation could be easily located from records. I make no recommendation to change in this system.

I tested opening balances as at 1/4/19 and confirmed they could be agreed back to the audited accounts for 2018/19.

The Council is not VAT registered and £530.01 VAT was reclaimed in the year. The amounts shown on the return could be agreed to the underlying cashbook.

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

Interim Audit

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

The AGAR was taken to council and minuted and the website was populated with the correct information. I applaud the council on their new website.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that Councillors sign "Acceptance of Office" forms, register of members interests and notification to receive information by electronic means, all in line with regulations.

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

I note that the Council is required by law to follow the Transparency Code, a review of the web site has shown that the code is being followed. However, the transparency page will need updating for the 2019/20 council year.

Confirm that the Council is compliant with the GDPR.

The council is aware of GDPR. A common email system such as cllr.name@headly..... is recommended because it 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

Full Council; meets circa bi monthly

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

The Clerk was able to demonstrate that at least 3 clear days' notice is given on both web site and hard copy agendas.

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

Draft minutes are uploaded to the council website.

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 reviewed in January 2020.

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

Financial regulations are based on the NALC model and are dated February 2012. 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. These were reviewed and re adopted by council in January 2020. I would recommend that the new model regulations are reviewed and adopted over the next year to 18 months.

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

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

- £20,000 + Tender Process
- £1,000 - £20,000 3 quotations are required.
- £200 - £1,000 – strive to get 3 estimates
- 0 - £200 – power to spend

Financial regulation 3 deals with budgetary control and authority to spend. The council has thresholds in place at which authorisations to spend must be obtained.

Financial regulation 6 deals with making payments. The council makes payments by cheque, direct debit. Cheques must be signed by two individuals.

I discussed the purchasing system with the clerk vis-à-vis financial regulations 3 to 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).
2. An ad hoc expenditure requirement is identified and noted to the clerk – this can be from a number of sources and depending on the financial amount will be discussed in advance with council, committee or chair. This will be noted in the minutes. My audit testing showed via the minutes that there is where appropriate discussion of expenditure before the orders are placed.
3. The order is made by the clerk – councillors are not allowed or permitted to place amend or vary orders.
4. The supplier invoice, when received, is reviewed and then batched ready for the next meeting.
5. Cheques are pre written and taken to the meeting for signing along with verification of supplier invoices. My audit testing showed that supplier invoices are all annotated.
6. Entries made to accounts package at point of writing cheque.

Confirm all section 137 expenditure meets the guidelines & does not exceed the annual per elector limit of £7.86 per elector.

The council has made £1,000 of grants. (2019: £1,000)

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

The system noted above details internal review takes place and councillor, committee and council level. I am under no doubt that council properly approves expenditure.

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items. We found no evidence of breaches of financial regulations in the sample testing completed.

I am of the opinion the council is following its own regulations and that any changes to financial regulations are to be considered minor and no indicative of errors in the system. I am therefore 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 & INSURANCE

The council has a detailed risk assessment document which was reviewed in January 2020. The document is comprehensive and covers not only trips and hazards, but also financial and management risks. This is entirely fit for purpose and I make no recommendation to change.

I have confirmed that the Council has a valid insurance certificate. The Council reviews its insurance requirements as part of the renewal process. Asset & money cover appears adequate.

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 & reserves

The council has £25k of total reserves. Rule of thumb calculations would indicate that the general reserve of circa £8k as adjusted for local conditions would be more appropriate. The council has indicated that there could be a fall in precept in future years, due to changes in band D properties.

The Council was able to demonstrate that budget monitoring reporting to members is comprehensive, and is appropriately minuted.

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

The precept income was tested to remittance advice notes and third party evidence. There are no errors to report.

Other income comprises, grants, interest, donations & VAT refund.

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

No petty cash

G. Payroll

The council has one employee. The payroll is outsourced. The payroll is reconcilable to the AGAR and P60.

I am of the opinion that salaries are correctly stated on the AGAR and that the control objective 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

The fixed asset register agreed to the AGAR, the register lists the assets, their cost or proxy cost together with insurance values. Assets are correctly stated at historic cost. There have been no additions or disposals in year.

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 reconciliations

At the year-end date the council had a reconciled bank position. I have reviewed the reconciliation there were no outstanding payments and the reconciliation agreed to the bank statements provided.

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 (FINAL AUDIT)

The year-end accounts have been correctly prepared on the receipts & payments with no requirement for a box 7 & 8 reconciliation. The council will be taking advantage of submitting the certificate of exemption. This has been correctly prepared showing, total income: £17,353 & expenditure £11,741

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the 2018-19 AGAR.

| Agar Box Number | | 2018/19 | 2019/20 | Auditor Notes |
|-----------------|--|---------|---------|---|
| 1 | Balances brought forward | 14,551 | 19,442 | Agrees to bfwd signed accounts |
| 2 | Precept or Rates and Levies | 13,500 | 13,500 | Agrees to third party evidence |
| 3 | Total other receipts | 1,812 | 3,853 | Includes grant £822 remittance advice note and CIL grant £2,418 |
| 4 | Staff costs | 4,272 | 5,203 | Variance greater than £200 & 15% - due to back pay and pay increase |
| 5 | Loan interest/capital repayments | 0 | 0 | Agreed no loans |
| 6 | All other Payments | 6,149 | 6,538 | Reasonable |
| 7 | Balances carried forward | 19,442 | 25,054 | Casting agrees |
| 8 | Total value of cash and short term investments | 19,442 | 25,054 | Agrees to bank rec and bank statements |
| 9 | Total fixed assets plus long term investments and assets | 66,506 | 66,506 | Agreed to register – no change year on year |
| 10 | Total borrowings | 0 | 0 | Agreed no loans |

The variance analysis is required because there are variances greater than 15% and £200. This has been correctly prepared on a summary table basis.

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. TRUSTESHIP (INTERIM AUDIT)

No trusts.

L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS (FINAL AUDIT)

Due to the Covid 19- Outbreak the statutory deadlines have been changed. The publication date for final, audited, accounts will move from the 30 September to 30 November 2020 for all local authority bodies. To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of July has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020.

This means that draft accounts must be approved by 31 August 2020 at the latest. However, they may be approved earlier, and we would encourage councils to do so wherever possible, to help manage overall pressure on audit firms towards the end of the year.

Authorities must publish the dates of their public inspection period, and given the removal of the common inspection period and extension of the overall deadlines for this year, it is recommended that all authorities provide public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2019/20 accounts.

The regulations implementing these measures were laid on 7 April and are due to come into force on 30 April 2020.

The Relevant dates as set by Headley Parish Council are set out in the table below.

| Inspection - Key date | 2018/19 Actual | 2019-20Proposed |
|---|-------------------------------------|-------------------------------------|
| Accounts approved at full council | 20/05/2019 | 18/05/20 |
| Date Inspection Notice Issued and how published | 23/05/2019 | TBC |
| Inspection period begins | 4 June | 15 June |
| Inspection period ends | 12 July | 24 July |
| Correct length | Yes | yes |
| Common period included? | Yes | yes |
| Summary of rights document on website? | Attached to inspection announcement | Attached to inspection announcement |

I am satisfied the requirements of this control objective were met for 2018-19, and assertion 4 on the annual governance statement can therefore be signed off by the Council.

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

Kind regards
Yours sincerely



Mark Mulberry