

Section 3 – External Auditor Report and Certificate 2019/20

In respect of

Headley Parish Council – HA0129

1 Respective responsibilities of the body and the auditor

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2020; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work **does not** constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and **does not** provide the same level of assurance that such an audit would do.

2 External auditor report 2019/20

On the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return (AGAR), in our opinion the information in Sections 1 and 2 of the AGAR is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

Other matters not affecting our opinion which we draw to the attention of the authority:

The AGAR was not accurately completed before submission for review due to assets excluded in error. The authority decided to resubmit the AGAR with an amended asset figure.

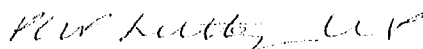
3 External auditor certificate 2019/20

We certify that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2020.

External Auditor Name

PKF LITTLEJOHN LLP

External Auditor Signature



Date

30/09/2020

* Note: the NAO issued guidance applicable to external auditors' work on limited assurance reviews for 2019/20 in Auditor Guidance Note AGN/02. The AGN is available from the NAO website (www.nao.org.uk)

Headley Parish Council

Internal Audit Report 2019-20 (Final update)

Stuart J Pollard

*Director
Auditing Solutions Ltd*

Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2019-20 financial year, during our initial visit to the Council, which took place on 9th December 2019. Due to the impact of the Covid-19 pandemic, we have undertaken our final review for the year remotely: we wish to thank the Chief Officer (CO) and Responsible Financial Officer (RFO) for their assisting the process, providing all necessary additional (to that examined at our interim visit) documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

Internal Audit Approach

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Report' as part of the Council's AGAR process, which requires independent assurance over a number of internal control objectives.

Overall Conclusions

We are pleased to record that the Council continues to operate adequate and effective internal controls.

We also wish to commend the Chief Officer and Responsible Finance Officer for their continued professional management and administration of the Council's finance and governance functions. The manner in which this information is stored and presented both for the purposes of the day to day running of the council, and for external scrutiny is exemplary and has assisted the smooth progress of this final update review for the year in the exceptional circumstances existing currently.

On the basis of the satisfactory conclusions drawn from our work programme during the year, we have duly signed-off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective in this area has been to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Assistant Chief Officer maintains the accounting records using the Rialtas accounting software with three bank accounts in operation with NatWest and the Public-Sector Deposit Fund with CCLA. We have: -

- Agreed the opening balances in the current year's accounting software to those contained in the closing Accounts and certified Annual Return for 2018-19
- Verified that the ledger remains "in balance" at the financial year-end
- Ensured that an appropriate cost centre and expenditure coding structure remains in place and is appropriate for purpose
- Checked and agreed detail of the year's transactions on all accounts for the financial year to 30th November 2019 plus March 2020 to supporting bank statements
- Similarly checked all inter-account transfers on the Council's accounts
- Verified bank reconciliation detail on each bank account as at 30th November 2019 and 31st March 2020, and
- Ensured the accurate disclosure of the combined cash at bank balances in the year's AGAR.

Conclusions

We are pleased to report that no issues arise in this area of our review warranting formal comment or recommendation.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We are pleased to note that the Council has re-adopted Standing Orders (SOs) and Financial Regulations in June 2018 and October 2019 respectively, both being in line with the latest NALC model documents and also reflecting the latest procurement guidance in the Public Contracts Regulations 2015 relating to the need to advertise contracts exceeding £25,000 on the Government's Contract Finder website.

We have reviewed minutes of the Full Council and its Standing Committee meetings (excluding Planning) held during the financial year to ensure that, as far as we are reasonably able, as we do not attend meetings, no actions have been taken or are being considered that might result in unlawful activity or expense being incurred by the Council. Our previously expressed concern has now been resolved satisfactorily.

We also note that the Council has re-adopted the General Power of Competence at the Annual Meeting in May 2019 as it continues to meet the qualifying criteria.

Conclusions

We are now pleased to report that no residual issues exist in this area warranting formal comment or recommendation.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount
- The correct expense codes have been applied to invoices when processed, and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

To ensure compliance with the above criteria, we initially at our interim visit examined a sample of 24 payments processed in the year to the 30th November 2019, comprising all those non-salary related payments individually in excess of £750 plus a more random sample of every twentieth payment processed. Due to the Covid-19 situation we have selected a further small sample of 8 payments over the remainder of the year, again to ensure compliance with the above criteria. Our test sample totals £70,800 and 98% by value of all non-pay related payments during the financial year with all the above criteria duly met.

We again reviewed the Council's procedures for receiving, verifying, and processing purchase invoices leading to the recording of detail in the Rialtas accounting software and the formal approval for payment by members, noting that the majority of payments continue to be made electronically via BACS and consider that the procedures enacted to effect the online payment processes continue to be sound with effective segregation of duties between setting up the on-line payments by the RFO and their release by the CO or the designated alternate. We also note that Payments Schedules, continue to be circulated, with the Agenda Pack, by e-mail and approved by Members at a meeting of the Full Council with approval duly minuted.

We examined the content of the first two quarterly VAT returns prepared for the year agreeing detail to the Rialtas nominal ledger control account and have, at this final review noted that the third quarter's reclaim was submitted in a timely manner and has been repaid accordingly by HMRC. The final quarter's reclaimable balance is correctly identified as a debtor in the year-end Alpha Balance Sheet.

Conclusions

There are no matters arising in this review area of our review warranting formal comment or recommendation.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition.

We have examined the Council's current insurance policy with Zurich Municipal noting that cover is in place with Public and Employers Liability both in place at £10 million, together with Liabile & Slander Liability and Fidelity Guarantee cover both set at £250,000, all of which we consider appropriate for the Council's current requirements.

We noted the intention to undertake a further review of the Council's Risk Assessments before the financial year-end at our interim review visit, but understand that due to the COVID-19 situation the review slipped through the net. Having been last reviewed and re-adopted at the March 2019 meeting, given the present situation, we do not consider the non-review during the 2019-20 a significant issue warranting formal comment or recommendation, but remind the Chief Officer that action should be taken to remedy the position as soon as a degree of normality returns to everyday life.

Finally in this area, we have reviewed the council's arrangements for the regular inspection of playgrounds and recreation areas noting that a visual inspection of both is conducted monthly by the Council's playgrounds' monitor with a risk-based inspection conducted annually by specialists N W Adams Engineering Design Services with a detailed report being submitted to the Council. We are also pleased to note that reports are being retained by the Council for the correct period of 21 years.

Conclusions

There are no issues arising in this area of our review warranting formal comment or recommendation.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the parent Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its revenue spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We note that the Council has undertaken a robust budget setting and precept determination process for the 2020-21 financial year with both approved and formally adopted at the November 2019 meeting of the Full Council, the latter being set at £130,000 representing a 2.36% increase over the prior year.

We are pleased to note that members continue to be provided with monthly budget performance reports and that they also consider and agree any required movements in earmarked reserves.

We note that total funds at 31st March 2020 stand at £160,000 with Earmarked Funds (EMRs) accounting for £112,500 of that total: the residual General Fund balance of £48,500 equates to approximately 4½ months' revenue spending and is considered appropriate for the Council's ongoing spending requirements.

Conclusions

We are pleased to report that there are no issues arising in this review area.

Review of Income

In addition to the precept, the Council receives relatively limited income, generated by way of allotment rents, Village Green hires and interest on deposit account funds, occasional grants, donations and CIL / S.106 funding together with recoverable VAT.

We have, at this final review examined the allotment register provided for our examination noting that rents due for 5 plots appear to have not been received during the financial year and ask that officers ensure recovery is pursued appropriately.

We have also examined the year-end Rialtas nominal income transaction reports to ensure that no significant mis-analysis of income has arisen or that anticipated income has not been received within an appropriate time scale with no issues arising apart from the apparent need to pursue the few outstanding allotment rents.

We note that the Chief Officer & Members have formally reviewed the Council's fees during the financial year as required by the Financial Regulations (Para 9.2 refers). Members have Resolved to increase the Allotment fees. However, the appropriate notice for the increase in fees has not been given.

Conclusions

Whilst no significant issues arise in this area, we urge that the apparent outstanding allotment rents are pursued accordingly.

Petty Cash Account

The Council does not operate a Petty Cash account. Subsequently, there are no issues arising in this area of our review warranting formal comment or recommendation.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is observed appropriately as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions.

We note that as per our prior year recommendation, a review of roles, responsibilities and remuneration has now taken place and the Council have implemented the findings of that review.

The RFO continues to prepare the Council's Payroll using Sage Software which generates the automatic reports required by RTI.

We have verified the gross salaries payable to each member of staff to the detail provided by the RFO of their Council approved basic salary, contracted working hours and other relevant detail by reference to the November 2019 payroll documentation. We have also checked detail of that month's deductions in respect of tax, NI and pensions (including employer's contributions) by reference to the relevant HMRC Tax and NI tables and the LG pension scheme banding detail.

We have also verified the accuracy of the payment of individual staff net salaries and those to HMRC and the Pension Fund Administrators by reference to the November 2019 current account bank statements.

Conclusions

There are no matters arising in this area of our review warranting formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual – "The Practitioner's Guide" requires all councils to maintain a record of the assets owned. We are pleased to note that an appropriate detailed register is in existence incorporating detail of the acquisition date, asset and description, location, cost and any further relevant notes.

We have compared the current year detail with that in the prior year's register noting the addition of a several assets with a corresponding increase in value during 2019-20 to £206,437 (£198,088 as at 31st March 2019) and have duly verified the accurate disclosure of that value in the year's AGAR.

Conclusions

We are pleased to report that no issues arise in this review area warranting formal comment or recommendation.

We wish to draw the Council's attention to the changed rules as regards recording of Staff Cost expenditure in Box 4 of the AGAR which come into effect from the 2020-21 financial year: the JPAG Practitioner's Guide 2020 refers at Page 17: we have consequently provided the RFO with an electronic copy of the document.

Investments and Loans

The Council holds no long-term investments, with surplus funds held in the CCLA Public Sector Deposit Fund and the NatWest Reserve account. We have verified the accuracy of interest earned to date on each account noting in discussions with the RFO that members are

considering how best to re-invest these funds to improve return on investment, without creating an administrative overhead.

We note that, as per our prior year recommendation, the Council has now developed and formally adopted an Investment Strategy as legally required since 1st April 2018.

The Council has no loans, either repayable by it, or to it.

Conclusions

No issues arise in this area: we shall continue to monitor the Council's approach to the investment of funds at future visits, although the current Covid-19 crisis will undoubtedly result in the availability of minimal interest earning opportunities.

Statement of Accounts and AGAR

We have reviewed the content of Section 2 of the AGAR agreeing detail to the underlying Alpha accounting records, also verifying detail of year-end debtors, creditors and accruals agreeing the detailed values recorded in the year-end Balance Sheet to the underlying records with no issues arising.

Conclusions

We are pleased to report that no issues arise in this area and, based on the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Certificate in the year's AGAR assigning positive assurances in all areas.