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Our Ref: MARK/Andy/HAR013

Mrs E Fulham
Hartfield Parish Council
Goods Yard House
Edenbridge Road
Hartfield
TN7 4JG

Date 3 April 2020

Dear Emma

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

Following completion of our interim internal audit on the 16th September 2019 and final audit on the 3rd April 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.**

Due to the Covid-19 restrictions in place at the time of the final audit, this was carried out remotely, and I would like to thank Emma for ensuring all of the requested information was sent through in a timely fashion to allow this process to be completed.

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.

Interim Audit – Summary Findings

At the interim visit we reviewed and performed tests on the following areas:

- Review of the Financial Regulations and Standing Orders
- Review of the risk assessments
- Review of the budgeting process
- Proper bookkeeping – review of the use of the accounts package
- Review of salaries
- Review of fixed asset register

It is our opinion that the systems and internal procedures at Hartfield Parish Council are well established and followed. The Clerk is very experienced and ensures the council follows best practice regulations and has overseen changes to the internal procedures as regulations and technologies have changed to maintain compliance.

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. I would like to thank Emma for her assistance 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.

Final Audit – Summary Finding

At the final visit we reviewed and performed tests on the following areas:

- Review of annual accounts and AGAR
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

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

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The Council continues to use RBS as a day to day accounting package. This is a tried and tested industry specific package and I make no recommendation to change. The system is used regularly to report on and record the financial transactions of that of the Council. The Clerk is the sole user.

Regular reports are produced for council detailing income and expenditure against budget and completed bank reconciliations. These are clear and easy to follow, and the hard copy reports are easy to read and logically filed.

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.

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 AND PAYMENTS (INTERIM AND FINAL AUDIT)

Interim Audit

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

The external auditors report was not qualified in 2018/19. This has recently been received and will be reported to the next council meeting. The notice of conclusion of audit and audited AGAR will be posted to the council website.

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 that a separate declaration has been signed for the office of chairman, in line with regulations. The councillors have also signed acceptance to receive information by electronic means.

Confirm that the council is compliant with GDPR

The council is aware of GDPR and has taken appropriate steps to follow the legislation. It was noted the council has common email addresses for councillors 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. The council has appointed an external Data Protection Officer (DPO).

Confirm that the council meets regularly throughout the year

The council has the following committees:

- Full Council
- Finance
- Strategy
- Planning
- Town Croft and Parish Assets

There are also a number of working parties and groups which meet as and when necessary to cover specific tasks.

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 and supporting documentation for the agendas is also posted to the website.

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

Draft minutes are uploaded to the council website, usually within a few days of the meeting being held. These are clearly marked as draft and replaced with final versions once adopted.

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

The current standing orders are based on a previous NALC model, and were re-adopted at the May 2019 meeting. The council is about to adopt the revised 2018 model version.

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

The current financial regulations are based on a previous NALC model and were re-adopted at the May 2019 meeting. The council is about to adopt the revised 2019 model version. 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 regular bank reconciliation, and this is minuted in accordance with regulations.

Financial regulation 4 deals with budgetary control and authority to spend. The council has thresholds in place at which authorisations to spend must be obtained.

Financial Regulations 5 and 6 deal with the authorisation and making of payments. Once received, invoices are filed before being entered onto the accounting system and being added to the payment list. The Clerk writes out the cheques and references cheque numbers to the invoices. The minutes show authorisation of payments lists in accordance with regulations. Sample testing of payments from July and August 2019 show invoices being correctly authorised and cheque stubs being initialled by two signatories.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.12 per elector

The council has no section 137 expenditure as it holds the General Power of Competence (GPC).

Confirm that checks of the accounts are made by a councillor

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

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.

Final Audit

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 (INTERIM AND FINAL AUDIT)

Interim Audit

The council undertakes a risk assessment that covers operational and financial risks, and this is reviewed regularly by the council. It is currently in a simple tabular format and the council is working on adding more detail.

I have confirmed that the council has a valid insurance certificate. The council reviews its insurance requirements as part of the renewal process and checks its requirements against the asset register. Asset and money cover appear adequate.

Final Audit

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 (INTERIM AND FINAL AUDIT)

Interim Audit

I confirmed that the 2019-20 budget and precept setting process is about to commence. The Clerk will prepare an initial draft, and this will be reviewed and amended as required by council.

The council has a three-year business plan. This has been on hold recently subject to the ongoing insurance claim, but the Clerk informs me the intention is to continue to use this once the matter has been resolved.

General reserves are anticipated to be around £30,000 by the year end. This is lower than the recommended 50% of precept, although a review of the earmarked reserves suggests some of these may in fact be general, i.e. contingency EMR.

Final Audit

At year-end, the council has circa £62,000 in a number of clearly defined earmarked reserves, including £6,970 in a contingency EMR. As highlighted at the interim audit, this may in fact be better defined as part of the general reserve. There have been movements into and out of earmarked reserves during the year, and these have been clearly documented. The council has circa £48,000 in general reserve. This is roughly in line with the recommended 50% of precept.

Due to the Covid-19 restrictions, there was no opportunity to review the three-year business plan discussed at the interim audit, and this will be reviewed at the next audit.

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 (INTERIM AND FINAL AUDIT)

Interim Audit

Other than the precept, the council receives rental income, donations from the sports club, money from the local estate for part payment of completed works and CIL payments. Further testing on income will be conducted at year-end.

Final Audit

The precept income was tested to the figure recorded by the District Council and found to be correct. Other income has been correctly recorded on the RBS system.

At interim audit, 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 (INTERIM AUDIT)

The council has no petty cash.

G. PAYROLL (INTERIM AND FINAL AUDIT)

Interim Audit

The Clerk's salary is processed in house using HMRC PAYE online tools. Further testing on salaries will be conducted at year-end.

Final Audit

A review of the RBS data made available remotely confirms the total salary costs as accurately recorded on the AGAR. Detailed checking of PAYE and NI deductions was not possible, and this will be checked at the next audit.

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 (INTERIM AND FINAL AUDIT)

Interim Audit

The council has a detailed asset register using the RBS software. Council is reminded that assets should be listed at original cost/proxy cost, not current estimates and that depreciation of assets should not be included on the register.

Final Audit

The RBS asset register is fully completed, and the total matches the amount entered on the AGAR. Insurance values have also been entered onto the RBS asset register, providing comprehensive details.

At interim audit, 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 (INTERIM AND FINAL AUDIT)

Interim Audit

At the interim audit date, the council had a reconciled bank position which has been signed in accordance with Financial Regulations and reported to the council. Reconciliations are performed regularly and reviewed by the council.

The council is reminded that the provisions of the Financial Services Compensation Scheme (FSCS) does apply to the council as a small local authority (annual budget under €500,000).

Final Audit

At the year-end audit date, the council had a reconciled bank position across all its accounts. There were four unrepresented cheques on the main current account, all of them less than a week old.

At interim audit, 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 and payments basis, and the AGAR correctly casts and cross casts.

The explanation of variances has been completed with sufficient detail and explanations provided for variances in excess of 15%.

At the time of the year-end audit, the AGAR figures presented for checking were as below:

AGAR Box Number		2018/19	2019/20	Auditor Notes
1	Balances brought forward	46,742	42,203	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	81,847	86,000	Confirmed against precept amount received
3	Total other receipts	41,983	347,864	Confirmed against accounting records
4	Staff costs	26,667	32,842	Confirmed against accounting records
5	Loan interest/capital repayments	25,357	24,726	Confirmed against PWLB advices received during the year
6	All other payments	76,345	308,421	Confirmed against accounting records
7	Balances carried forward	42,203	110,078	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	42,203	110,078	No difference as accounts prepared on receipts and payments basis
9	Total fixed assets plus long term investments and assets	828,756	835,532	Total matches asset register
10	Total borrowings	254,999	240,833	Confirmed against PWLB advices received during the year

I am satisfied that the control objective "Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records" has been met.

K. TRUSTEESHIP (INTERIM AUDIT)

The council has no trusts.

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

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Accounts approved at full council	13 May 2019	To be confirmed subject to remote meetings protocol agreement
Date Inspection Notice Issued	10 June 2019	1 June 2020
Inspection period begins	17 June 2019	15 June 2020
Inspection period ends	26 July 2019	24 July 2020
Correct length	Yes	Yes
Common period included?	Yes	Yes
Summary of rights document on website?	Yes	Yes

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. Plans are also in place to allow for inspection periods to be published and set correctly for 2019-20 accounts.

Yours sincerely

Andy Beams

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