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Our Ref: MARK/HOL003

Mrs J Russell
Holmwood Parish Council
27 Chandler Way
Dorking
Surrey
RH5 4GA

Date 26 May 2020

Dear Jan

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

Following completion of our internal audit on the 26th 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 at the end of the report, along with updates on progress from the recommendations from the previous visit.**

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 Jan 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.

Audit – Summary Findings

At the audit 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
- Review of annual accounts and AGAR
- Review of bank reconciliation
- Review of income
- Review of information for external auditor

It is our opinion that the systems and internal procedures at Holmwood Parish Council are well established and followed. The Clerk is 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 Jan 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.

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

Internal audit requirement

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

The council continues to use manual books and excel for recording the day to day transactions of that of the council. The Clerk produces basic reports for council as and when required.

There have been no reported issues in the past and for recording receipts and payments this is entirely fit for purpose.

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

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.

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

The council declared itself exempt from a limited assurance review in 2018/19. The AGAR has been posted to the council website and was reported to the council at the meeting in July 2019.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors have signed "Acceptance of Office" forms and Register of Members' Interests, in line with regulations. Register of Members' Interest forms are loaded on to the District Council website, although **it was noted that the links from the Parish Council website do not work.**

Confirm that the council is compliant with the relevant transparency code

I note that the council is required by law to follow the 2015 Local Government Transparency Code for Smaller Authorities. A review of the council's website shows that minutes, agendas and year-end accounts are posted. **However, to comply with the requirements of the code the council must also publish details regarding expenditure, the asset register and the internal auditor's report.**

Full details of the requirements are available via this link [Transparency Code for Smaller Authorities](#)

Confirm that the council is compliant with the GDPR

Website contact details for the council are for the Clerk only. At the January 2020 council meeting, a discussion took place regarding establishing common email addresses for councillors. It is recommended to use common email addresses because it gives a natural segregation between personal and councillor business, 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.

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. Whilst we have not tested every single committee and council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting.

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

Minutes are uploaded to the council website. It is not clear whether these are draft or final versions, and as mentioned at last year's audit **I would recommend ensuring this is made clear on the website.**

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

Following the internal audit report issued for 2107/18, the council adopted the NALC model version Standing Orders. An electronic version was not available for review at the audit, and these will be checked in detail at the next audit to ensure all current regulatory and statutory requirements are included. The latest model version is available on the SSALC website for comparison.

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

The Financial Regulations are based on the NALC 2016 model and were adopted by council in September 2017. 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.

The most recent model version is dated July 2019 (available on the SSALC website) and while these are not substantially different to the version being used by the Parish Council, future updates should be based on the most recent model to ensure all regulatory and statutory changes are included.

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

A review of minutes on the council website show that regular financial reporting takes place at council meetings, including reviewing the financial statement and approving cheques for payment.

While detailed checking of financial records was not possible due to the remote nature of the audit, previous audit visits have traced authorised payments against invoices, cheque stubs and bank account records and there have been no reported problems in this area.

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

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

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.

The council has a Risk Management Policy covering financial and other risks.

The council has a valid insurance policy in place, with Public Liability cover of £10 million, Employers Liability cover of £10 million, and a Fidelity Guarantee of £250,000.

We discussed assertion 8 on the AGAR and whether or not this had any impact on the council.

"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 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.

I confirmed that the 2020/21 budget and precept setting was approved at the January 2020 council meeting and recorded in the minutes.

There is evidence within the council minutes of regular reviews by council of income and expenditure compared to budget.

At year-end, the council held £7,424 in an earmarked reserve for the playground leaving the remaining balance in general reserve. General guidance recommends an appropriate level of general reserve as 50% of precept, adjusted for local conditions.

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.

Apart from the precept, the council’s other income is through concurrent grants and the VAT refund. The whole precept has been received properly accounted for. The support grant has been correctly accounted for.

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.

The council has no petty cash.

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.

The council has one employee, with payroll calculated in house. The Clerk has a signed contract of employment based on the SSALC model and is on the SCP scale.

The amounts on the AGAR were reconcilable to the accounting records relating to payroll.

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

Internal audit requirement

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

The council has a detailed fixed asset register in place including all the required information. Assets are correctly stated at historic or proxy cost. The asset register was up to date with all relevant assets as at the current financial year end. Additions and deletions are completed in year.

The asset register total was checked and found to match that entered on the AGAR for 2019-20.

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.

At the year-end audit date, the council had a reconciled bank position across its accounts with balances verified against year-end bank statements.

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.

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.

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 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 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 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>	YES – the Clerk is experienced and advises the council in respect of its legal powers.
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 2018/19 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.
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 in the minutes.
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

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	5,699	5,928	Correctly carried over from box 7 2018/19
2	Precept or rates and levies	12,500	12,500	Confirmed against precept amount received
3	Total other receipts	3,559	5,075	Confirmed against accounting records
4	Staff costs	3,669	3,455	Confirmed against accounting records
5	Loan interest/capital repayments	0	0	Council has no borrowing
6	All other payments	12,161	5,634	Confirmed against accounting records
7	Balances carried forward	5,928	14,414	Total correctly equals (1+2+3) – (4+5+6)
8	Total value of cash and short-term investments	5,928	14,414	No difference to box 7 as receipts and payments
9	Total fixed assets plus long term investments and assets	32,174	32,174	Confirmed against asset register
10	Total borrowings	0	0	Council has no borrowing
11	Disclosure note re Trust	YES	NO	Council has no trusts

	Funds (including charitable)		√	
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The year-end accounts have been correctly prepared on the receipts and payments basis with no need for the box 7 & 8 reconciliation.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the previous year's AGAR.

The explanation of variances has been completed with sufficient detail and explanations provided for variances in excess of 15% for boxes 3 and 6.

The council is declaring itself exempt from a limited assurance review as neither its income nor expenditure for the year exceeded £25,000.

K. LIMITED ASSURANCE REVIEW

Internal audit requirement

If the authority certified itself as exempt from a limited assurance review in the previous year, it met the exemption criteria and correctly declared itself exempt.

The council correctly declared itself exempt from a limited assurance review in 2018/19 as neither its income nor expenditure exceeded £25,000.

L: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

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

Due to the Covid 19 outbreak, the statutory deadlines have been changed as follows:

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 came into force on 30 April 2020.

The relevant dates as set by Holmwood Parish Council are set out in the table below.

Inspection - Key date	2018/19 Actual	2019-20 Proposed
Date Inspection Notice Issued	14 June 2019	To be confirmed
Inspection period begins	17 June 2019	To be confirmed
Inspection period ends	26 July 2019	To be confirmed
Correct length	Yes	

Common period included?	Yes	N/A
Summary of rights document on website?	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. The Clerk is aware of the amended dates for 2019/20 due to the Covid-19 outbreak and has plans in place to meet the deadlines.

M. TRUSTEESHIP

Internal audit requirement

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

The council has no trusts.

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

Kind regards

Yours sincerely

A Beams

Andy Beams