



# Horndean Parish Council

## NOTICE OF MEETING

**A MEETING OF HORNDEAN PARISH COUNCIL WILL BE HELD ONLINE ON MONDAY 13 JULY 2020 at 7.00 P.M.**

**Members of the public can login – please follow this link:** [Council Meeting 13 July 2020](#)

Documents pertaining to the meeting are available to download from the HPC website.

Members are summoned to attend

Carla Baverstock-Jones GCILEx, PSLCC, MCMI  
Chief Officer

07 July 2020

### AGENDA

1. To receive and approve apologies for absence.
  2. ***Declaration of interest: Members are reminded of their responsibility to declare any disclosable pecuniary interest which they may have in any item of business on the agenda no later than when that item is reached. Unless dispensation has been granted, you may not participate in any discussion of, or vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State under the Localism Act 2011. You must withdraw from the room or chamber when the meeting discusses and votes on the matter.***
  3. To receive the Chairman's comments.
  4. ***To open the meeting to members of the public to enable them to address questions to Parish Councillors. The period of time which is designated for public participation shall not exceed 20 minutes. Each member of the public is entitled to speak once only in respect of business itemised on the agenda and shall not speak for more than 3 minutes. Questions shall not require***
  5. To receive and consider the Internal Audit Report for the year ended 2019/20
  6. To receive and approve the Annual Governance and Accountability Return for 2019/20:
    - Section1 – Annual Governance Statement 2019/20
    - Section 2 – Accounting Statements 2019/20
  7. To receive and note the finance report.
  8. To note the next scheduled meeting of the Council being the 10 August 2020.
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## **Horndean Parish Council**

*Internal Audit Report 2019-20 (final update)*

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***Claire Lingard***  
***Consultant Auditor***

***For and on behalf of***  
***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 Return.

This report sets out the work undertaken in relation to the Interim Internal Audit for the 2019-20 financial year; the Interim review which took place on the 14<sup>th</sup> October 2019 and the Final Update review which took place on the 25<sup>th</sup> May 2020.

## Internal Audit Approach

The final update review of the 2019-20 financial year, necessary to complete the Internal Audit process has been undertaken remotely due to the Covid-19 virus situation and in accordance with Government advice. All files and supporting document required to complete the audit have been supplied by the Chief Officer and the Responsible Finance Officer, as requested, electronically.

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 / Annual Return. 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 Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of internal control objectives.

## Overall Conclusion

Based on the satisfactory completion of our programme of work for the year, we have concluded that the Council has, again maintained adequate and effective internal control arrangements. We made only three recommendations for improvement during this financial year, at the interim review. Members have considered and noted these recommendations and the responses have been appended to this report and to the attached action plan. No further recommendations were made during the final review of the year.

We understand that the last few months of the 2019-20 financial year have been particularly challenging for councils, both in terms of their day to day operational and administrative functions during this unprecedented crisis. We take this opportunity to acknowledge the swift transition into an irregular working regime, which has been successfully managed by the Chief Officer and the RFO and which has proven suitable and effective for the Council's needs. Additionally, we again commend the exemplary quality of records maintained by the RFO who should be commended in this regard. We would like to thank the Chief Officer and the RFO for their assistance during this final update review which has ensured the smooth and successful progress of the Internal Audit.

We have completed and signed the 'Internal Audit Report', having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

We ask that members consider the content of this report and acknowledge that the report has been formally reviewed and adopted by Council.

**This report has been prepared for the sole use of Horndean Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.**

## Detailed Report

### Review of Accounting Records & Bank Reconciliations

Our objective here is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbooks, also that effective controls are in place to confirm the accuracy of that detail.

The Council uses the RBS Rialtas software to maintain its accounting records and is now using both the Purchase and Sales Ledger modules. Three bank accounts are in use currently, a Co-op Current account, a Lloyds Bank current account and a deposit account with the Cambridge and Counties Bank: detail of transactions is recorded in separate control accounts / Omega cashbooks for each bank account. We also note that all payments are processed on-line with no cheque payments occurring to date in the current financial year. We have commenced our review process in this area and have: -

- Agreed the Opening Balance detail in the financial ledger with that in the 2018-19 Statement of Accounts and certified Annual Return;
- Ensured that an appropriate Cost Centre and Coding structure exists within the software to provide appropriate detail in the year-end Accounts and Annual Return;
- Checked and verified detail of three months' transactions on the Co-op Current account (May and August 2019, and March 2020) cashbook by reference to supporting bank statements;
- Checked and agreed the full year detail (in view of their low volume) of transactions on the other two accounts for the financial year to the 31<sup>st</sup> March 2020;
- Agreed detail on the month-end Co-op current bank account and the Lloyds Bank and Cambridge & Counties bank account reconciliations as at 30<sup>th</sup> April and the 31<sup>st</sup> August 2019, and the 31<sup>st</sup> March 2020;
- Reviewed the arrangements for processing and verifying the content of journals raised on the software; and,
- Reviewed the effectiveness of the "back-up" and "restore" procedures for the accounting and other computerised systems in use at the Council.

#### *Conclusions*

*There are no issues arising 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 can ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have undertaken the following work in this area to date:

- Noted that the Council continues to take all reasonable steps to ensure compliance with the General Data Protection legislation;

- Received an Unqualified External Auditor's Certificate for the 2018-19 Financial Year;
- Noted that the Council's Standing Orders (SOs) and Financial Regulations (FRs) were reviewed with revised versions adopted in the Annual Parish Council meeting in May 2019; and,
- Noted under Minute reference HPC 137/19/10 that the prior year the External Auditor required that all expenses were reported in Box 4, 'Staff Costs'. Auditing Solutions do and did not agree the External Auditor's position, which was applied inconsistently to Councils by PKF throughout England and Wales during the 2018-19 financial year as discussed with the RFO. The Chief Officer, RFO and Member's are advised that as a result of subsequent discussions with PKF pertaining to this matter, the current Joint Practitioners' Guide (JPAG) has been amended: From the 2020-21 financial year onwards only expenses directly attributable to employment, i.e. travelling expenses, must be reported in Box 4 'Staff Costs', other expenses such as office and administrative consumables should be reported in Box 6 'Other Payments'.

### **Conclusions**

*We note that a robust Budget Setting and Precept determination has again been undertaken, both at the Finance & General Purpose Committee and Full Council. Subsequently, the draft Budget and Precept were recommended by the F&GP Committee at its meeting of the 9<sup>th</sup> December under Minute reference 044 and ratified by the Full Council at its meeting of the 16<sup>th</sup> December under Minute reference HPC 183/19/20. However, although the Minutes of both meetings state that the Precept will remain unchanged, they do not state what the value of that Precept is which is a mandatory requirement.*

## **Review of Expenditure & VAT**

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 form of document confirming the payment as due;
- Members take an active role in reviewing supporting documentation and approving expenditure for release;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure any applicable discount;
- The correct analysis has been applied to invoices when processed; and,
- Expended VAT is appropriately identified for recovery through reclaims prepared and submitted to HMRC quarterly.

We note that the council's official ordering system continues to provide effective control measures over procurement with copies of Purchase Orders matched to resultant trade invoices. To ensure compliance with the above criteria, we have examined a sample of 67 payments in the year to 31<sup>st</sup> March comprising each individual payment in excess of £1,500 together with every 20<sup>th</sup> transaction as recorded in the cashbook in the year to date. This represented a transactional value of approximately £466,180 equating to 67% of all non-pay related expenditure.

We note the continued use of the certification stamp affixed to each payment processed. This provides for the payment document to be matched with its corresponding purchase order, assigned a payment reference number, which can be traced via to the corresponding 'Order of Payment' List, which is subsequently authorised by the Chair prior to the Order of Payment list being approved by the Responsible Finance Officer and processed. Each individual BACS payment can be traced via its unique payment reference to the detail of the corresponding bank statement.

We also note that members of the Council scrutinise the Invoices and other Payment documents included on an Order of Payment List and initial these.

We are also pleased to note that all four Quarter's VAT reclaims have been prepared and submitted to HMRC and have verified the accuracy of those reclaims to the underlying Rialtas control account. The Year End VAT reclaim was pending payment as at the 31<sup>st</sup> March 2020.

Finally, in this area of our review, we have noted that the Jubilee Hall Link Building project has commenced and that this will involve the council expending significant funds over the next nine months. We have further noted that the Chief Officer and RFO sought professional advice in relation to the VAT exempt status of the building project receiving formal confirmation that VAT reclaims could correctly be made. Additionally, the Council's VAT registration status was confirmed.

### **Conclusions and recommendations**

*We have noted that the Council has awarded a small number of Grants which are properly let, and which have been recorded in the Council's Minutes. The Chief Officer is reminded that as the Council is not currently eligible to adopt the General Power of Competence, that the Power under which a Grant is awarded must be recorded in the corresponding Minute; i.e. "A grant is awarded to the 1<sup>st</sup> Horndean Cub Scouts in the amount of £100 to purchase camping equipment Local Government Act 1972 S.137."*

- R1. *The Power under which a Grant is awarded must be recorded in the corresponding Minute. Response: Implemented.*
- R2. *The S.137 Power is the Power of last resort and may only be used where the Council has no other Power under which it may make a legitimate Grant Award. Response: Implemented*

### **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 approach to the identification, recording and management of financial risks;
- Examined the Council's insurance cover as provided by Zurich Municipal and consider that appropriate cover is in place with Employer's, Products and Public Liability standing at £12 million, together with Hirer's Liability cover at £2 million, Liable and Slander at £500 thousand. We are also pleased to note the existence of Business Interruption – "Loss

of Revenue” cover at £52,000, which we also consider appropriate given the annual level of hall income; and,

- Examined the Council’s arrangements for the regular inspection of playgrounds and playing fields.

We note that the Council reviewed its Finance and Health & Safety Risk Assessments and that these were formally adopted in the 20<sup>th</sup> January 2020 meeting of the Full Council under Minute Reference HPC 211/19/20.

We have also discussed the council’s inspection regimes for the playground and recreation facilities at Deep Dell, Downs Park, Jubilee Field, Lychgate Drive, Merchistown Hall and Five Heads Recreation Ground. We are advised that RoSPA conducts an annual inspection on each of the council’s facilities with a separate inspection of outdoor gym equipment where fitted. On a weekly basis, the Caretaker and Groundsmen, who are certified to conduct playground inspections by RoSPA, conduct an inspection of each facility and produce a detailed written report, with photographic evidence, which is given to the Health & Safety officer for retention.

### **Conclusion**

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

### **Review of 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 have noted the robust Budget setting and Precept determination process that has again been managed by the Responsible Finance Officer using a detailed report pack he produced to assist members to professionally address the process for the 2020-21 financial year. We further note that the Finance & General Purpose Committee of the 9<sup>th</sup> December 2019 made a formal recommendation of the draft Budget and Precept to be adopted under Minute reference 044. Subsequently the Budget and Precept were Approved and Adopted at the Full Council meeting of the 16<sup>th</sup> December 2019 under Minute reference HPC 183/19/20 in the amount of £382,657, *(actual value not recorded in the Minutes as previously stated).*

We commend the close financial management of the construction of the Linked Building at Jubilee Hall at both the Finance & General Purpose Committee and the Full Council which is appropriate for a project of this size. We further note that no funds from the Public Works Loan Board Loan have been drawn down as at the 31<sup>st</sup> March 2020, ensuring the most fiscally prudent management of the Council’s funds.

Finally, in this area of our review we have examined the Council’s Reserves position as at the 31<sup>st</sup> March 2020: Total Reserves at the year-end stood at £408,785 comprising of sixteen active Earmarked reserves totalling £264,041 and a residual General Reserve balance of £144,744. The latter represents just over two-and-one-third months’ reserve at the 2019-20 financial year average

level of expenditure. This is somewhat lower than the current Chartered Institute of Public Finance and Accountancy (CIPFA) guidance which recommends organisations retain between 3 and 6 months general reserve based on prior year average expenditure.

We note however that the Council's reserves have been impacted by the necessity to refund booking and hire fees due to the closure of Council facilities following the Government directives concerning the Corona Virus event.

### **Conclusion**

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

*R3. Due to the protracted period of non-usage of the Petty Cash system, the Chief Officer and Members should consider closing the system. Response: Considered but not implemented.*

## **Review of Income**

The Council has relatively limited sources of income in addition to the annual precept, income arising primarily from hire of the two halls, sports pitches (based on an annually agreed sum, paid monthly by direct credit to the Council's current bank account), plus various grants, donations and interest on bank deposits.

We have assessed the controls in place over the booking of the two halls, noting that the council has now migrated to an electronic bookings system.

We note that Finance & General Purpose Committee reviewed fees and charges for the 2019-20 financial year. The recommendation to increase the hire fees was approved at the April 2019 meeting of the Full Council, along with the amalgamation of hire terms under one contract also recommended by the committee under Minute references 12 and 13. We have examined a sample month's hires for Jubilee Halls, as recorded in the RBS Bookings system covering 01<sup>st</sup> to the 31<sup>st</sup> August 2019 ensuring that appropriate booking forms are held with invoices raised and the correct fees charged in accordance with the Council's approved scale of fees and charges, also ensuring that payment has been received within an acceptable time.

We have also examined the Rialtas detailed transaction reports for each nominal income code to ensure that no apparent mis-postings have occurred and that, as far as we may reasonably be expected to verify, all income due has been brought to account or is being pursued appropriately.

### **Conclusion**

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

## **Review of Petty Cash Account**

Whilst a formal petty cash account is in place, the float has now been reduced to £100, and used only rarely. Officers now record any expenses incurred on office sundries, etc on a sheet held in



the Council office, detail of which is entered onto a monthly spreadsheet by the Responsible Finance Officer with individual repayments made to each officer who has incurred any such costs. We are advised by the Responsible Finance Officer that serious consideration is being given to phasing out petty cash completely.

Once again, no petty cash transactions are recorded in the year and the petty cash float was checked and agreed at £100.00.

Due to the remote nature of the final review of the year, it was not possible to check the physical Petty Cash holding, and have checked and verified this to the underlying Rialtas records.

### **Conclusions and recommendation**

***There have been no Petty Cash transactions recorded now in over twenty-four months and the Petty Cash system appears to be being maintained as a 'comfort blanket' rather than for any good purpose. Due to the protracted and continued non-usage of the Petty Cash system we recommend that this is now closed.***

***R3. Due to the protracted period of non-usage of the Petty Cash system, the Chief Officer and Members should now consider closing the system. Response: Considered but not implemented.***

### **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 HM Revenues and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions.

We note the Council's approval of performance related pay increases in staff salaries, as recorded in the Staff Committee minutes and ratified at Full Council. We further note that the Council did not implement the recommendation in our prior year Interim Internal Audit report to utilise the NJC SCP framework.

The Council continues to outsource the preparation of the monthly payroll to a local company, Watling & Hirst. The company provides a full payroll service; reporting includes appropriate supporting detail of individuals' gross monthly payments due, including overtime, etc. and tax, NI and pension deductions applying. The Executive Officer prepares a summary schedule of any overtime or enhanced payments due to individual officers, which is provided to the payroll bureau for production of the monthly payroll.

The Responsible Finance Officer has provided us with a detailed schedule of each staff member's basic gross salary, contracted working hours and other relevant detail, which we have used to verify the accuracy of detail in the whole of the June 2019 payroll documentation.

We have also checked detail of the June 2019 deductions from all employees in respect of tax, NI and pensions, including the employer's contributions, by reference to the current year's HMRC Database and Pension scheme schedule of percentage rates applicable. Additionally, we have verified the detail of any enhanced hours to be paid to officers in June 2019 by reference to the supporting timesheets, also noting that these have been duly certified as appropriate for payment by the Chief Officer.

We have also verified the accuracy of individual staff net salary payments and total payments to HMRC and the Pension Fund Administrators by reference to the September current account bank statements (net salaries are recorded as a single value in the Rialtas cashbook, but as individual amounts on bank statements).

### ***Conclusions***

***There are no recommendations in this area of our review warranting formal comment or recommendation.***

## **Review of Fixed Assets**

The Governance and Accountability Manual requires councils to develop and maintain a register of all assets. The Annual Return requires disclosure of the value of assets retained by the Council as at 31<sup>st</sup> March, annually, with a revision to the reporting detail issued in 2010 that requires asset values to be reported at cost price or, where that value is unknown, the prior year Annual Return value updated to reflect the cost of any new acquisitions or deletions / disposal.

The Council continues to manage its Asset Register in an Excel spreadsheet developed by the RFO. We have previously commented on the exceptional quality of this register and note that this system continues to be used accurately and effectively.

We are confident that the overall asset values for the 2019-20 financial year have been correctly reported for in Box 9, Section 2 for 2019-20 in the amount of £1,368,454 (£1,071,833 prior year FAR value) in accord with the in-year purchases and disposals.

### ***Conclusions***

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

## **Investments and Loans**

The Council has, as indicated above, placed surplus funds in two bank accounts. We have verified the accuracy of interest earned to date on each account. We note from our discussions with the Responsible Finance Officer that members are considering how best to re-invest these funds to maximise the interest return, without creating an administrative overhead. Whilst it is properly the members' duty to consider maximising the return on the Council's investments, it is also beholden on them to consider investment opportunities to spread the Council's funds and reduce the potential risk of lost funds through a bank's failure.

We note that the Council has now adopted a robust Investment Policy and that the Responsible Finance Officer is currently in the process of considering the Council's finance arrangements in light of the forthcoming Hall development project.

Finally, in this area of our review we note that the Council has applied for and been awarded a 25 year term loan of £500,000 from the Public Works Loan Board (PWLb), permission having been

received from the Secretary of State for the provision of the loan for the purposes of the new development at the Jubilee Hall site.

We note from the Minutes of the Full Council: Minute reference HPC 256/1920 that the Council still had £140k available for use before the need to draw down against the PWLB loan, which was anticipated to take place during May / June 2020, but may be delayed due to the knock on effects of the Government's Corona Virus shut-down orders that are currently still in place.

We have confirmed, by reference to the PWLB report of Council year-end outstanding loan balances that no funds had been drawn down as at the 31<sup>st</sup> March 2020.

### ***Conclusion***

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

## **Statements of Account and Annual Governance & Accountability Return**

The Council's annual Statements of Accounts have, as in previous years, been prepared from the Rialtas accounting software, together with detailed supplementary supporting notes. We have checked and agreed, by reference to the accounting system's closing Trial Balance and other relevant documents, the content of the Statement of Accounts and the supporting notes, detail of which is transferred to Section 2 of the Annual Return.

We have also reviewed the process for identifying and verified the accuracy of year-end debtors and creditors, as disclosed in the Balance Sheet to appropriate supporting documents.

### ***Conclusions***

*On the basis of our detailed programme of work undertaken during the course of the year on the Council's systems of financial control and satisfactory conclusions drawn from our examination of the content of the detailed Statement of Accounts and the summarized detail set out in Section 2 of the Annual Governance & Accountability Return, we have duly "signed off" the Internal Audit Certificate assigning positive assurances in each relevant category.*

Rec. No.	Recommendation	Response
<b>Review of Expenditure</b>		
R1.	The Power under which a Grant is awarded must be recorded in the corresponding Minute.	<i>Response: implemented</i>
R2.	The S.137 Power is the Power of last resort and may only be used where the Council has no other Power under which it may make a legitimate Grant Award.	<i>Response: implemented</i>
<b>Review of Petty Cash</b>		
R3.	Due to the protracted period of non-usage of the Petty Cash system, the Chief Officer and Members should now consider closing the system.	<i>Response: Not implemented</i>

Rec. No.	Recommendations and response for the 2018-19 financial year	Response
<b>Review of Expenditure</b>		
R1.	The Chief Officer and Responsible Finance Officer must ensure that, when scrutinising all Grant applications that the Applicant is the same legal entity as the Recipient to whom the award is made.	<i>Response: Implemented.</i>
R2.	The Chief Officer and Responsible Finance Officer must ensure that the council acts within the Powers delegated to it to ensure that no Ultra Vires actions are made.	<i>Response: Implemented.</i>
<b>Review of Staff Salaries</b>		
R3.	An independent review of Council employee Roles, Responsibilities and Remuneration should be undertaken by a Council Human Resources specialist recommended by the SLCC or similar.	<i>Response: Not implemented.</i>
R4.	Members should consider, after the conclusion of the independent review, introducing the NJC pay spine for all Council employees to provide a fair and equitable basis for future pay and grading exercises.	<i>Response: Not implemented.</i>

# Annual Governance and Accountability Return 2019/20 Part 3

To be completed by Local Councils, Internal Drainage Boards and other Smaller Authorities\*:

- where the higher of gross income or gross expenditure exceeded £25,000 but did not exceed £6.5 million; or
- where the higher of gross income or gross expenditure was £25,000 or less but that:
  - are unable to certify themselves as exempt (fee payable); or
  - have requested a limited assurance review (fee payable)

## Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2019/20

1. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 **must** complete Part 3 of the Annual Governance and Accountability Return at the end of each financial year in accordance with *Proper Practices*.
2. **The Annual Governance and Accountability Return is made up of three parts, pages 3 to 6:**
  - The **Annual Internal Audit Report** is completed by the authority's internal auditor.
  - **Sections 1 and 2** are to be completed and approved by the authority.
  - **Section 3** is completed by the external auditor and will be returned to the authority.
3. The authority **must** approve Section 1, Annual Governance Statement, before approving Section 2, Accounting Statements, and both **must** be approved and published **before 1 July 2020**.
4. An authority with either gross income or gross expenditure exceeding £25,000 or an authority with neither income nor expenditure exceeding £25,000, but which is unable to certify itself as exempt, or is requesting a limited assurance review, **must** return to the external auditor by email or post (not both) **no later than 30 June 2020**. Reminder letters will incur a charge of £40 +VAT:
  - the Annual Governance and Accountability Return Sections 1 and 2, together with
  - a bank reconciliation as at 31 March 2020
  - an explanation of any significant year on year variances in the accounting statements
  - notification of the commencement date of the period for the exercise of public rights
  - Annual Internal Audit Report 2019/20

Unless requested, do not send any additional documents to your external auditor. Your external auditor will ask for any additional documents needed.

Once the external auditor has completed the limited assurance review and is able to give an opinion, the Annual Governance and Accountability **Section 1, Section 2 and Section 3 – External Auditor Report and Certificate** will be returned to the authority by email or post.

## Publication Requirements

Under the Accounts and Audit Regulations 2015, authorities must publish the following information on a publicly accessible website:

**Before 1 July 2020 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 2019/20**, approved and signed, page 4
- **Section 2 - Accounting Statements 2019/20**, approved and signed, page 5

**Not later than 30 September 2020 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.

The Annual Governance and Accountability Return constitutes the annual return referred to in the Accounts and Audit Regulations 2015. Throughout, the words 'external auditor' have the same meaning as the words 'local auditor' in the Accounts and Audit Regulations 2015.

\*for a complete list of bodies that may be smaller authorities refer to schedule 2 to the Local Audit and Accountability Act 2014.



## Guidance notes on completing Part 3 of the Annual Governance and Accountability Return 2019/20

- The authority **must** comply with *Proper Practices* in completing Sections 1 and 2 of this Annual Governance and Accountability Return. *Proper Practices* are found in the *Practitioners' Guide\** which is updated from time to time and contains everything needed to prepare successfully for the financial year-end and the subsequent work by the external auditor.
- Make sure that the Annual Governance and Accountability Return is complete (no highlighted boxes left empty), and is properly signed and dated. Where amendments are made by the authority to the AGAR after it has been approved by the authority and before it has been reviewed by the external auditor, the Chairman and RFO should initial the amendments and if necessary republish the amended AGAR and recommence the period for the exercise of public rights. If the AGAR contains unapproved or unexplained amendments, it may be returned and additional costs will be incurred.
- The authority **should** receive and note the annual internal audit report if possible before approving the annual governance statement and the accounts.
- Use the checklist provided below to review the Annual Governance and Accountability Return for completeness before returning it to the external auditor by email or post (not both) no later than 30 June 2020.
- Do not send the external auditor any information not specifically requested. However, **you must inform your external auditor about any change of Clerk, Responsible Financial Officer or Chairman, and provide relevant email addresses and telephone numbers.**
- Make sure that the copy of the bank reconciliation to be sent to your external auditor with the Annual Governance and Accountability Return covers all the bank accounts. If the authority holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree the bank reconciliation to Box 8 on the accounting statements (**Section 2, page 5**). An explanation **must** be provided of any difference between Box 7 and Box 8. More help on bank reconciliation is available in the *Practitioners' Guide\**.
- Explain fully significant variances in the accounting statements on **page 5**. Do not just send a copy of the detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include complete numerical and narrative analysis to support the full variance.
- If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or variances are not fully explained, additional costs may be incurred.
- Make sure that the accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2019) equals the balance brought forward in the current year (Box 1 of 2020).
- The Responsible Financial Officer (RFO), on behalf of the authority, **must** set the period for the exercise of public rights. From the commencement date for a single period of 30 consecutive working days, the approved accounts and accounting records can be inspected. Whatever period the RFO sets it **must** include a common inspection period – during which the accounts and accounting records of all smaller authorities must be available for public inspection – of the first ten working days of July.
- The authority **must** publish the information required by Regulation 15 (2), Accounts and Audit Regulations 2015, including the period for the exercise of public rights and the name and address of the external auditor **before 1 July 2020**.

Completion checklist – 'No' answers mean you may not have met requirements		Yes	No
All sections	Have all highlighted boxes have been completed?	✓	
	Has all additional information requested, including <b>the dates set for the period for the exercise of public rights</b> , been provided for the external auditor?	✓	
Internal Audit Report	Have all highlighted boxes been completed by the internal auditor and explanations provided?	✓	
Section 1	For any statement to which the response is 'no', has an explanation been published?	✓	
Section 2	Has the authority's approval of the accounting statements been confirmed by the signature of the Chairman of the approval meeting?	✓	
	Has an explanation of significant variations from last year to this year been published?	✓	
	Has the bank reconciliation as at <b>31 March 2020</b> been reconciled to Box 8?	✓	
	Has an explanation of any difference between Box 7 and Box 8 been provided?	✓	
Sections 1 and 2	Trust funds – have all disclosures been made if the authority as a body corporate is a sole managing trustee? <b>NB:</b> do not send trust accounting statements unless requested.	✓	

\* *Governance and Accountability for Smaller Authorities in England – a Practitioners' Guide to Proper Practices* can be downloaded from [www.nalc.gov.uk](http://www.nalc.gov.uk) or from [www.ada.org.uk](http://www.ada.org.uk)



# Annual Internal Audit Report 2019/20

## HORNDEN PARISH COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2020.

The internal audit for 2019/20 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
J. 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.	✓		
K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")			✓
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

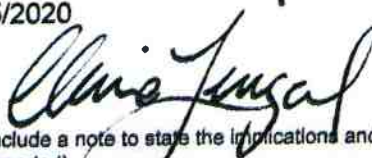
Date(s) internal audit undertaken

14/10/2019

25/05/2020

Name of person who carried out the internal audit  
C V Lingard for and on behalf of  
Auditing Solutions Ltd

Signature of person who  
carried out the internal audit



Date

25/05/2020

\*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).



## Section 1 – Annual Governance Statement 2019/20

We acknowledge as the members of:

### HORNDEAN PARISH COUNCIL

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 2020, 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.	✓		prepared its accounting statements in accordance with the Accounts and Audit Regulations.
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
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.	✓		has only done what it has the legal power to do and has complied with Proper Practices in doing so.
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.	✓		during the year gave all persons interested the opportunity to inspect and ask questions about this authority’s accounts.
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.	✓		considered and documented the financial and other risks it faces and dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		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.
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
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.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.
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
			✓

\*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:

and recorded as minute reference:

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

Chairman

Clerk

#### Other information required by the Transparency Codes (not part of Annual Governance Statement)

Authority web address

*www.horndeanpc-hants.gov.uk*



## Section 2 – Accounting Statements 2019/20 for

### HORNDEAN PARISH COUNCIL

	Year ending		Notes and guidance
	31 March 2019 £	31 March 2020 £	
1. Balances brought forward	440,294	421,146	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.
2. (+) Precept or Rates and Levies	366,168	382,657	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	99,758	371,379	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs	280,636	283,251	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.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).
6. (-) All other payments	204,438	483,147	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	421,146	408,785	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).
8. Total value of cash and short term investments	416,777	381,854	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – <b>To agree with bank reconciliation.</b>
9. Total fixed assets plus long term investments and assets	1,071,833	1,368,454	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.
10. Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council, as a body corporate, acts as sole trustee for and is responsible for managing Trust funds or assets.
		✓	N.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2020 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

*S R Pittman*

Date

06/07/2020

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

as recorded in minute reference:

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

## Section 3 – External Auditor Report and Certificate 2019/20

In respect of

HORNDEAN PARISH COUNCIL

### 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

(Except for the matters reported below)\* on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return 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. (\*delete as appropriate).

(continue on a separate sheet if required)

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

(continue on a separate sheet if required)

### 3 External auditor certificate 2019/20

We certify/do not 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.

\*We do not certify completion because:

External Auditor Name

External Auditor Signature

Date

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



## **HORNDEAN PARISH COUNCIL**

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**COUNCIL MEETING : 20 July 2020**

**SUBJECT OF REPORT:** Finance Report

### **Jubilee Hall Construction**

Since the start of the financial year (1<sup>st</sup> April) until the end of May, very little work has been carried out and subsequently expenditure has been light.

The total for the period was £21,154. (£20,400 from Spelthams)

The balance remaining in the Jubilee Hall earmarked reserve at the end of May 2020 was £119,710.

In July we have received a further invoice of £68,892 which will reduce the balance of the reserve to £50,818.

### **Public Works Loan Board (PWLB)**

To enable the project to be fully financed (Horndean PC reserves, s106 monies from East Hampshire District Council and the Public Works Loan) before it commenced last summer a maximum loan of £500,000 was agreed that needed to be drawn down within 12 months.

It was anticipated that by the start of the financial year we would have needed to request the drawdown from the Public Works Loan Board to finance the ongoing costs.

However, as previously mentioned, there is still funds in the earmarked reserve due to the delays.

The 12 month period expires on the 8<sup>th</sup> August.

It is now clear that we will not have an accurate forecast with regards to the total expenditure of the project at that stage and therefore will not be in a position to request an amount for the loan required in order to keep the interest payments as low as possible over the next 25 years.

To this end, I have formally contacted the PWLB to request an extension.

I have been advised to come back to them nearer the deadline with further updated information and they will consider an extension.

### **Income and Expenditure: April and May 2020**

The precept of £190,771 was received on the 7<sup>th</sup> April.

Due to COVID-19, Horndean Parish Council received a 100% rebate on the Council tax for Jubilee & Napier Hall). This totalled £4.6k.

### **Management Accounts: Income & Expenditure**

The 2020-21 budget was set with an increased target for hall income set at £57k and the budget was balanced by taking £8.3k from General Reserves.

Subsequently, it then became known that there would be a further c£25k hit on General Reserves to finance extensive tree works for Ash Die Back.

As at the 1<sup>st</sup> April 2020, The Council held a General Reserve of £144.7k and Earmarked Reserves of £264.0k of which £140.9k was for the Jubilee Hall Project.

The level of General Reserves equated to just over two and one third months of 2019-20 financial year average expenditure and was therefore slightly below the CIPFA guidance which recommends three to six month are held.

The May accounts have been finalised and the year to date position showed an unfavourable variance, after adjusting for earmarked reserve movements of £4.8k.

This breaks down to an unfavourable variance on income of £9.7k (halls shut) and a favourable variance on expenditure of £4.9k. (Rebate of council tax at Jubilee and Napier Halls)

As at May 2020 Earmarked Reserves stood at £239.8k and General Reserves a further £261.6k giving total funds available of £501.4k.

### **Forecast**

The full year forecast has posed considerable challenges this year mainly due to the uncertainties around COVID-19 and the Jubilee Hall Project delays and has been made with the following assumptions:

- Staffing levels remain at the current level until the end of the financial year.
- The Halls begin to re-open during July when income returns to 20% of its pre COVID levels, rising to 40% from September and 50% from December.
- Lower levels of utilities etc. during the period when the halls are running below capacity.
- No Football Pitch Income until September 2020.
- No rates bill for Jubilee and Napier Halls in 2020-21
- Rent on Tyfield House and Luckylite paid until the end of December 2020.
- Interest payments on £500k loan at today's interest rate (15/06) are payable from September 2020.
- The loan that is drawn down equates to the full cost of the project and results in no change to the levels of reserves.
- Ash Die back expenditure of c£25k

This would result in a forecast unfavourable outturn of £55.5k against budget and £63.8k in cash terms (as £8.3k was taken from reserves to balance the budget)

This consists of an unfavourable income variance of £40.5k (halls) and an unfavourable expenditure variance of £15.1k (£25k due to Ash Die Back partially offset by reduction in expenditure due to COVID-19).

In this forecast, General Reserves would stand at only £80.9k at the end of the financial year. Earmarked reserves would be forecast to be at £109.8k.

### **Budget 2021-22**

The impact of the COVID-19 outbreak on the income levels of the halls is, yet, unknown, but it would seem optimistic to assume that the halls will return to the occupancy levels seen in 2019-20.

If we assume that they will run at 50% capacity in 2021-22, this would equate to a c£30k reduction in our income.

To plug the gap in the 2021-22 this could be funded by:

1. A further depletion of our reserves
2. A reduction in our staffing levels to accommodate the reduction in workload caused by the reduced activity in the halls.
3. A precept increase of between 8 to 10%.

*Report Prepared by Simon Ritson, Responsible Finance Officer, June 29th 2020*