Report to Otley Parish Council

The Internal Audit of the Accounts for the year ending 31 March 2019

1. Summary

- 1.1 During the 2018/19 year the Parish Council maintained effective governance arrangements including a robust framework of financial administration and internal control. This Internal Audit review has confirmed the overall adequacy of the financial arrangements currently in place within the Council.
- 1.2 By examination of the 2018/19 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's Responsible Financial Officer (RFO), is satisfactorily undertaking the administration of the Council's financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions.
- 1.3 The Accounts for the year confirm the following:

Total Receipts for the year: £6,437.72 Total Payments in the year: £6,095.09 Total Reserves at year-end: £8,157.56

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk/RFO for inclusion in Section 2 Accounting Statements 2018/19 (rounded for purposes of the Return):

Balances at beginning of year (1 April 2018): Box 1: £7,815 Annual Precept 2018/19: Box 2: £4,617 Total Other Receipts: Box 3: £1,821 Staff Costs: Box 4: £2.006 Loan interest: Box 5: nil Box 6: £4,089 All Other payments: Balances carried forward (31 March 2019): Box 7: £8,158 Total cash/short-term investments: Box 8: £8,158 Box 9: £17,138 Total fixed assets: Total borrowings: Box 10: nil

- 1.5 Sections One and Two of the AGAR are due to be approved and signed at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2018/19 within the AGAR.
- 1.6 The Council's documentation and records were well presented by the Clerk/RFO for the Internal Audit Review.

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- 1.7 The following Internal Audit work was carried out on the adequacy of systems of internal control. Comments and any recommendations arising from the review are made below.
- 2. Proper book-keeping (examination of entries in the Cashbook, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts)
- 2.1 The Cashbook Spreadsheets were found to be in good order and well presented.
- 2.2 Payments under Section 137 are separately identified by the Council to ensure that the annual statutory limit of such expenditure in any one year is not exceeded. The Council reviewed the expenditure under Section 137 at its meeting on 11 March 2019 and noted that it was well within the limit of spending (Minute 18.104g refers).
- 2.3 VAT payments are tracked and identified within the Cashbook Spreadsheets to assist re-claims to HMRC.
- 2.4 The Cashbook Spreadsheets are well referenced and provide a good audit trail to the electronic payment banking transactions, bank statements, cheque book counterfoils and the financial information prepared by the Clerk/RFO. These documents provided good evidence in support of the receipts and payments in the year. A sample of transactions was closely examined and was found to be in order with supporting invoices and vouchers in place.
- 3. Governance, Standing Orders and Financial Regulations (examination of Standing Orders, Financial Regulations, Tenders where relevant, appropriate payment controls including acting within the legal framework with reference to Council Minutes. Identifying VAT payments and re-claims. Cheque books, paying-in books and other relevant documents)
- 3.1 Standing Orders are in place. The Council reviewed, updated and approved the Standing Orders at its meeting on 11 March 2019 (Minute 18.104f refers).
- 3.2 Financial Regulations are also in place. The Council reviewed and approved the Financial Regulations at its meeting on 14 January 2019 (Minute 18.088g refers).
- 3.3 The Council formally re-appointed Mrs Rachel Green as the Council's RFO at the meeting held on 21 May 2018 (Minute 18.017 refers).
- 3.4 The Council's Minutes are very well presented and provide clear evidence of the decisions taken by the Council.
- 3.5 The Clerk/RFO confirmed at the Council's meeting on 11 March 2019 that a reclaim for VAT paid had been submitted to HMRC (Minute 18.104d refers). The amount of £374.78 was subsequently received from HMRC on 19 March 2019 being reimbursement for the VAT paid during the period 12 March 2018 to 4 February 2019.

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- 3.6 The Council is registered with the Information Commissioner's Office (ICO) as a Fee Payer/Data Controller for the provision of council services (Registration Z2934889, expiring 11 December 2019 refers). The Clerk/RFO kept the Council advised during the year of the requirements of the General Data Protection Regulations (GDPR) in order to ensure the Council was working towards compliance. The Council's General Privacy Policy has been published on the Council's website.
- 3.7 The Council adopted the revised Suffolk Local Code of Conduct on 14 July 2014 for the purposes of discharging its duty to promote and maintain high standards of conduct within its area (Minute 15.205d refers).

4. Internal Control and the Management of Risk (Review by Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly)

- 4.1 The Council's Risk Assessment and Management (Financial) document and the Online Banking Risk Assessment document detailing the identified risks and the internal controls in place to mitigate the risks identified, were reviewed and approved by the Council at the meeting held on 11 March 2019 (Minute 18.104j refers).
- 4.2 The Council accordingly complied with Regulation 4 of the Accounts and Audit Regulations 2015 which requires a review by the full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for management of risk, with the review suitably Minuted.
- 4.3 Insurance was in place for the year of account. The Council approved the insurance premium of £236.24 to CAS Insurance for the forthcoming year at the meeting held on 19 November 2018 (Minute 18.072a refers). Public Liability cover stands at £10m. The Employee Dishonesty (fidelity guarantee) cover stands at £25,000, which meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants received.

5. Budgetary controls (Verification of the budgetary process with reference to Council Minutes and supporting documents)

Precept 2018/19: £4,617.02 Precept 2019/20: £4,709.36

- 5.1 The Budget for 2018/19 was agreed in full Council on 15 January 2018 and the precept decision and amount has been clearly Minuted (17.103d refers).
- 5.2 The Budget for 2019/20 was considered and agreed by the Council at its meeting on 14 January 2019 (Minute 18.088d refers) and a Precept of £4,709.36 agreed. The precept decision and amount has been clearly Minuted (18.088de refers).

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- 5.3 The Clerk/RFO ensures the Council is aware of its responsibilities, commitments, forward planning and the need for adequate reserves. The Council has sound budgetary procedures in place. Examination of the accounts and supporting documentation for the year under review confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments.
- 5.4 At its meeting on 19 November 2018 the Clerk/RFO presented a report covering actual spending compared to budget for the year. This report, together with the previous year's actual receipts/payment, provided the basis on which the 2019/20 Budget was constructed. The estimates for 2019/20 can be used effectively for financial control and budgetary control purposes.
- 5.5 The Reserves at the year-end totalled £8,157.56. As at the 31 March 2019 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense.
- 6. Income controls (Regarding Precept and other income, including credit control mechanisms)
- 6.1 Receipts recorded in the Cash Book were cross referenced with the Council's Bank Statements on a sample basis and were found to be in order.
- 7. Petty Cash (Associated books and established system in place)
- 7.1 A Petty Cash system is not in use; an expenses system is in place.
- 8. Transparency Code (Compliance for smaller councils with income/ expenditure under £25,000)
- 8.1 Under the provisions of the Transparency Code, Otley Parish Council can be designated as a 'Smaller Council'.
- 8.2 The Council's website is: http://www.otley.onesuffolk.net/

Smaller Councils should publish on their website:

- a) All items of expenditure above £100. Published on website.
- b) Annual Governance Statement: 2017/18 AGAR Annual Return Section One. Published on website.
- c) End-of-Year accounts: 2017/18 AGAR Annual Return, Section Two. Published on website.
- d) Annual Internal Audit report within 2017/18 AGAR Annual Return. Published on website.
- e) List of councillor or member responsibilities. Published on website.
- f) The details of public land and building assets (Asset Register). Asset Register published on website.
- g) Minutes, agendas and meeting papers of formal meetings. Published on website.

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- 8.3 The Council is meeting the requirements of the Transparency Code.
- 9. Payroll controls (PAYE and NIC in place; compliance with HMRC procedures; records relating to contracts of employment)
- 9.1 The Clerk/RFO prepares Claim Forms for the number of hours worked. The Claim Forms are presented to the Council at each meeting and signed by cheque signatories confirming the Council's acceptance for payment.
- 9.2 Regarding the requirement that the Parish Council registers as an employer with HMRC and operates PAYE on the income the Clerk earns, Internal Audit has noted that Mrs Green received written advice from HMRC on 21 April 2016 to clarify that where (inter alia) the Clerk's earnings are below the Lower Earnings Limit for Class 1 National Insurance, a PAYE record is not required to be maintained by the Council.
- 10. Asset control and valuation (Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover)
- 10.1 An Asset Register is in place. The Register was reviewed and approved by the Council at its meeting on 11 March 2019 (Minute 18.104i refers).
- 10.2 The total value of £17,138.29 as at 31 March 2019 is an increase of £126.50 over the value as at 31 March 2018 (£17,011.79) and reflects the acquisition of a Grit Bin in the year of account. The value has been correctly entered into Box 9 of Section 2 of the AGAR for 2018/19.
- 10.3 The Register complies with the current requirements which provide that each asset should be displayed at a consistent value, year-on-year. The assets are recorded at purchase cost value.
- 11. Bank Reconciliation (Regularly completed and cashbooks reconcile with bank statements)
- 11.1 The bank statements for the Barclays Community Current Account and the Barclays Business Premium (Savings) Account as at 31 March 2019 reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.
- 11.2 For ease of reference, the Council's Bank Reconciliation (between the Accounts Balance and the Balances at Bank) at the year-end can be displayed as follows:

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	£	£
Account Balance at 1 April 2018 (b/f): Add Receipts (to 31 March 2019): Deduct Payments (to 31 March 2019):		7,814.93 6,437.72 6,095.09
Account Balance at 31 March 2019 (c/f):		8,157.56
Represented By: Barclays Community (Current) A/C (31 March 2019)	894.05	
Less Electronic payment to Westerfield P.C. relating to Speedwatch (transacted by bank on 1 April 2019):	50.00	844.05
Barclays Business Premium A/C (31 March 2019):		7,313.51
Bank Balance at 31 March 2019:		8,157.56

- 12. Year End procedures (Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate)
- 12.1 End of Year accounts are prepared on a Receipts and Payments basis and were in good order. Sample audit trails were undertaken and were found to be in order.
- 13. Internal Audit Procedures (That the Council has satisfactory internal financial controls in place and any previous recommendations implemented)
- 13.1 The Council has satisfactory internal financial controls in place. The Clerk/RFO provides comprehensive financial reports to Council meetings. Councillors are provided with information to enable them to make informed decisions. The Council receives at each meeting details of the financial position of the Council, including details of Bank balances held and Bank Reconciliations.
- 13.2 Cheque Book counterfoils and invoices/vouchers for payment are initialled by cheque signatories. Payments and receipts are listed in the Council's Minutes as part of the overall financial control framework.
- 13.3 The Internal Audit Report for the previous year, 2017/18 was received by the Council at its meeting on 21 May 2018 (Minute 18.024d refers). No matters of concern had been raised in the report.

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13.4 The Internal Auditor for the 2018/19 year was appointed by the Council at the meeting held on 14 January 2019 (Minute 18.088f refers) and confirmed at the meeting on 11 March 2019 (18.104e refers).

14. External Audit (Recommendations put forward/comments made following the annual review)

14.1 An External Audit was not required in the year 2017/18. At its meeting on 21 May 2018 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 18.024e iii refers).

15. Additional Comments

- 15.1 The Annual Parish Council meeting was held on 21 May 2018, within the required timescale. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972.
- 15.2 I would like to record my appreciation to the Clerk to the Council for her assistance during the course of the audit work.

Trevor Brown

Trevor Brown, CPFA

Internal Auditor

18 May 2019