

## **Report to Otley Parish Council**

### **The Internal Audit of the Accounts for the year ending 31 March 2020**

#### **1. Introduction and Summary.**

1.1 During the 2019/20 year the Parish Council maintained effective governance arrangements including a satisfactory 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 2019/20 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 adequate financial management information to enable the Council to make well-informed decisions.

1.3 The Council continues to make progress with the Otley Neighbourhood Plan. A successful Public Event was held in March 2020 and, whilst the current pandemic has impacted upon progress this year, further public meetings are programmed for presentation of the Plan prior to the Vote on the Plan.

1.4 The Accounts for the year confirm the following:

*Total Receipts for the year: £9,120.18*

*Total Payments in the year: £7,414.40*

*Total Reserves at year-end: £9,863.34*

1.5 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 2019/20 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2019):</i>	<i>Box 1: £8,158</i>
<i>Annual Precept 2019/20:</i>	<i>Box 2: £4,709</i>
<i>Total Other Receipts:</i>	<i>Box 3: £4,411</i>
<i>Staff Costs:</i>	<i>Box 4: £1,218</i>
<i>Loan interest:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £6,197</i>
<i>Balances carried forward (31 March 2020):</i>	<i>Box 7: £9,863</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £9,863</i>
<i>Total fixed assets:</i>	<i>Box 9: £17,138</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

1.6 Sections One and Two of the AGAR are due to be approved and signed at a forthcoming meeting of the Council. Unless the Council obtains an extension from the External Auditors, PKF Littlejohn LLP, the due date for the submission of the

Certificate of Exemption from a, external audit (a limited assurance review) is 31 July 2020.

1.7 The Internal Auditor has completed the Annual Internal Audit Report 2019/20 within the AGAR.

1.8 The Council's documentation and records were very well presented by the Clerk/RFO for the Internal Audit Review.

1.9 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. Governance, Standing Orders, Financial Regulations and other Regulatory matters (*examination of Standing Orders, Financial Regulations, Code of Conduct, Formal Policies and Procedures, Tenders where relevant. Acting within the legal framework, including Data Protection legislation*).**

2.1 Standing Orders are in place. A copy has been published on the Council's website. The Council reviewed and approved the Standing Orders at its meeting on 13 January 2020 (Minute 19.089j refers).

2.2 It is noted that Standing Order item 21a states that '*The Council shall appoint a Data Protection Officer*'. The appointment of a Data Protection Officer (DPO) is no longer a mandatory requirement and the Clerk/RFO has confirmed that the Council will consider changing this item to '*The Council may appoint a Data Protection Officer*' when Standing Orders are next reviewed in 2020/21. Although no longer mandatory, it remains good practice for a Council to make an appointment of a DPO.

2.3 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 2020). The Council's General Privacy Policy and Publication Scheme have been published on the Council's website.

2.4 Financial Regulations are in place. The Council reviewed and approved the Financial Regulations at its meeting on 14 January 2019. New model Financial Regulations were published by NALC in August 2019 and the Council considered and approved these Financial Regulations at its meeting on 13 January 2020 (Minute 19.089i refers).

2.5 The Council formally re-appointed Mrs Rachel Green as the Council's RFO at the meeting held on 20 May 2019 (Minute 19.016 refers).

2.6 The Minutes of the Council are very well presented and provide clear evidence of the decisions taken by the Council in the year. The Minutes are kept in loose-leaf form and individual papers are numbered in respect of each meeting. However, where Minutes are kept in loose-leaf form, each page must be initialled by the person presiding at the meeting at which the Minutes are approved (paragraph 41(2) of Schedule 12 to the Local Government Act 1972 refers). The Clerk/RFO agreed to

remind the Council to ensure that each page of the Minutes is consecutively numbered and initialled by the Chair at the meeting at which the Minutes are approved.

2.7 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). Local Councils are currently being consulted upon an up-dated Code of Conduct.

### **3. Accounting Procedures and Proper Book-keeping (*examination of entries in the Cashbook, regular reconciliations, supporting vouchers, invoices and receipts and VAT accounting*).**

3.1 The Cashbook Spreadsheets were found to be in good order and well presented.

3.2 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 16 March 2020 and noted that it was well within the limit of spending (Minute 19.104l refers).

3.3 VAT payments are tracked and identified within the Cashbook Spreadsheets to assist re-claims to HMRC. The Clerk/RFO confirmed at the Council's meeting on 16 March 2020 that a re-claim for £666.38 VAT paid in the period 1 March 2019 to 29 February 2020 had been submitted to HMRC and received at bank on 11 March 2020 (Minute 19.104e refers).

3.4 The Cashbook Spreadsheets are well referenced and provide a good audit trail to the electronic payment banking transactions, bank statements and the financial information prepared by the Clerk/RFO. These documents provided good evidence in support of the receipts and payments in the year.

3.5 A sample of transactions was closely examined and was found to be in order with supporting invoices and vouchers in place. However, it was noted that the Council had made payments totalling £141.99 as Leaving Gifts for Councillors. Unless a local council operates the 'General Power of Competence' (which can be resolved by a council if it meets certain criteria and allows the council to do anything which an individual person can lawfully do) local councils do not normally have a legal power to buy gifts for its leaving or retiring councillors. The Clerk/RFO agreed to obtain definitive advice from the Suffolk Association of Local Councils (SALC) on this matter to inform the Council's consideration of any future leaving gifts.

### **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 16 March 2020 (Minute 19.104j refers). Similarly, the Public Risk Assessment document was also reviewed and approved (Minute 19.104i 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 each financial 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 £216.52 to CAS Insurance for the forthcoming year at the meeting held on 18 November 2019 (Minute 19.073a refers). Employer's Liability cover and Public Liability cover each stand 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 2019/20: £4,709.36

Precept 2020/21: £4,803.55

5.1 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 was agreed. The precept decision and amount has been clearly Minuted (18.088e refers).

5.2 The Budget for 2020/21 was considered by the Finance Committee on 14 November 2019 and agreed in Full Council on 18 November 2019 (Minute 19.073d refers). The Council agreed a 2% increase in the Precept for 2020/21 and the precept decision and amount has been clearly Minuted (19.073e refers).

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 18 November 2019 the Clerk/RFO presented a report covering the proposed budget for 2020/21, which was reviewed in detail by the Council. The estimates for 2020/21 can be monitored by the Council during the year and used effectively for financial control and budgetary control purposes.

5.5 The Overall Reserves at the year-end totalled £9,863.34. As at the 31 March 2020 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense.

**6. Income Controls (regarding sums received from Precept, Grants, Loans 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: 2018/19 AGAR Annual Return Section One. Published on website.
- c) End-of-Year accounts: 2018/19 AGAR Annual Return, Section Two. Published on website.
- d) Annual Internal Audit report within 2018/19 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). Published on website.
- g) Minutes, agendas and meeting papers of formal meetings. Published on website.

8.3 The Council is meeting the requirements of the Transparency Code.

8.4 The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 required the Council to publish a 'Notice of Public Rights and Publication of Annual Governance and Accountability Return (Exempt Authority)' on a publicly accessible website. The Internal Auditor noted that the document for the year 2018/19 is no longer displayed on the Council's website but the Clerk/RFO confirmed that her notes indicated that all necessary documents were on the website by 29 June 2019 in readiness for 1 July 2019.

8.5 The Clerk/RFO has advised Internal Audit that the statutory deadlines for the publication of all documents are due to be met for the 2019/20 year. The Council may wish to note that the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have extended the statutory deadlines for the publication of the 2019/20 documents.

**9. Payroll Controls (*PAYE and NIC in place; compliant 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 signatories confirming the Council's acceptance for payment.

9.2 The Council is registered as an employer with HMRC. The Clerk/RFO advised the Internal Auditor that PAYE will operate on the income earned and she is currently receiving advice regarding the process to be followed (Internal Audit has previously noted that Mrs Green received written advice from HMRC on 21 April 2016 to clarify that where the Clerk's earnings are below the Lower Earnings Limit for Class 1 National Insurance, a PAYE record was not required to be maintained by the Council).

9.3 The Clerk/RFO has a Contract of Employment in place, dated 6 July 2015.

**10. Assets Controls (*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 16 March 2020 (Minute 19.104g refers). Similarly, the Public Land and Building Assets document was also approved by the Council (Minute 19.104k refers).

10.2 The Asset 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 cost value. The total value of £17,138.29 as at 31 March 2020 is unchanged from the value at the end of the previous year.

10.3 The value of the assets has been correctly entered into Box 9 of Section 2 of the AGAR for 2019/20.

**11. Bank Reconciliation (*Regularly completed and cash books reconcile with bank statements*).**

11.1 The Clerk/RFO regularly completed bank reconciliations during the course of the year. The bank statements for the Barclays Community Current Account and the Barclays Business Premium (Savings) Account as at 31 March 2020 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:

	£
<i>Account Balance at 1 April 2019 (b/f):</i>	8,157.56
<i>Add Receipts (to 31 March 2020):</i>	9,120.18
<i>Deduct Payments (to 31 March 2020):</i>	7,414.40
<i>Account Balance at 31 March 2020 (c/f):</i>	9,863.34
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<i>Represented By:</i>	
<i>Barclays Community (Current) A/C (31 March 2020)</i>	325.41
<i>Barclays Business Premium A/C (31 March 2020):</i>	9,537.93
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<i>Bank Balance at 31 March 2020:</i>	9,863.34
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**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 The End-of-Year accounts are prepared on a Receipts and Payments basis and, after some minor alterations completed by the Clerk/RFO (viz. the payment for poppies/wreaths was made under Section 137 of the Local Government Act 1972 and not Section 142), all was found to be in order.

12.2 Sample audit trails were examined and all were found to be in order.

**13. Internal Financial Controls, Payments Controls and Audit Procedures (Confirmation that the Council has satisfactory internal financial controls in place for making payments with adequate documentation to support/evidence payments made. Any previous audit 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. At each meeting the Council receives details of the financial position of the Council, including balances held in bank accounts and bank reconciliations.

13.2 Payments and receipts are listed in the Council's Minutes as part of the overall financial control framework. The Internet Banking Payment Confirmation is attached to the invoices/vouchers paid electronically to evidence the time, date and amount of the payment. At the meeting held on 13 January 2020 the Clerk/RFO confirmed that all payments in the financial year had been made electronically rather than by cheque and that this arrangement has proved to be efficient.



13.3 The Clerk/RFO outlined to the Internal Auditor the approved procedure in place for the making of payments electronically. Authorisation is given for a payment at a Council meeting, where the Clerk/RFO obtains a Proposer and Secunder for the payment. Between meetings, the authorisation is given to the Clerk/RFO by email by at least two Councillors. The Clerk/RFO advised the Internal Auditor that where the payment is of significant value, the approval of the Chairman and a majority of Councillors is obtained. The payments are then confirmed at the next meeting of the Council and listed in the Minutes.

13.4 The procedure for the making of electronic payments is only summarised in the Council's Financial Regulations. The Clerk/RFO advised the Internal Auditor that the details of the control arrangements over electronic payments are due to be detailed in both the Financial Regulations (at items 6.12 and 6.13) and also the Online Banking Risk Assessment document during the next review of these documents in 2020/21.

13.5 The Internal Audit Report for the previous year, 2018/19 was received and accepted by the Council at its meeting on 20 May 2019 (Minute 19.023e refers). No matters of concern had been raised in the report.

13.6 The Internal Auditor for the 2019/20 year was appointed by the Council at the meeting held on 13 January 2020 (Minute 19.089e refers).

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

14.1 An External Audit was not required in the year 2018/19. At its meeting on 20 May 2019 the Council completed the Certificate of Exemption from a Limited Assurance Review for that year (Minute 19.023f iii refers).

14.2 For the year 2019/20 the Council may similarly apply for Exemption from a Limited Assurance Review under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015 as the higher of gross income or gross expenditure did not exceed £25,000 in the year of account.

**15. Additional Comments.**

15.1 The Annual Parish Council meeting was held on 20 May 2019, within the required timescale. The first item of business was the Election of Chair, 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**

**23 July 2020**