

## **Report to Otley Parish Council**

### **The Internal Audit of the Accounts for the year ending 31 March 2021**

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

1.1 During the 2020/21 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 2020/21 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 Accounts for the year display the following:

*Total Receipts for the year: £6,876.17*

*Total Payments in the year: £6,991.04*

*Total Reserves at year-end: £9,748.47*

1.4 The Annual Governance and Accountability Return (AGAR) displayed the following figures in Section 2, Accounting Statements 2020/21 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2020):</i>	<i>Box 1: £9,863</i>
<i>Annual Precept 2020/21:</i>	<i>Box 2: £4,803</i>
<i>Total Other Receipts:</i>	<i>Box 3: £2,073</i>
<i>Staff Costs:</i>	<i>Box 4: £1,497</i>
<i>Loan interest/capital repayments:</i>	<i>Box 5: nil</i>
<i>All Other payments:</i>	<i>Box 6: £5,494</i>
<i>Balances carried forward (31 March 2021):</i>	<i>Box 7: £9,748</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £9,748</i>
<i>Total fixed assets:</i>	<i>Box 9: £17,245 * Note 1</i>
<i>Total borrowings:</i>	<i>Box 10: nil</i>

*\* Note 1: Amended from the figure of £16,738 recorded in Box 9 of the AGAR approved by the Council on 17 May 2021 (see item 10 below).*

1.5 Sections One and Two of the AGAR were approved and signed at the meeting of the Council on 17 May 2021. The Internal Auditor has completed the Annual Internal Audit Report 2020/21 within the AGAR.

1.6 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 The Annual Parish Council meeting was held on 27 July 2020. The meeting was held remotely using the 'Microsoft Teams' platform. The first item of business was the Election of Chairman, in accordance with the requirements of the Local Government Act 1972.

2.2 The Council formally re-appointed Mrs Rachel Green as the Council's RFO and the Service Administrator at the meeting held on 27 July 2020 (Minute 20.003 refers).

2.3 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 15 March 2021 (Minute 20.074a refers).

2.4 Financial Regulations are in place were also considered and approved by the Council at its meeting on 15 March 2021 (Minute 20.077e refers).

2.5 The Council continues to make progress with the Otley Neighbourhood Plan. Reports are presented to each meeting of the Council to provide updates on the progress achieved and the actions in place.

2.6 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 2021).

2.7 The Council has a General Privacy Policy in place. The Information available under the model publication scheme has been published on the Council's website.

2.8 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year. An examination of the Council's website on 17 March 2021 revealed that no Minutes of Council meetings had been published after the meeting on 27 July 2020. In the interests of transparency and for the benefit of the local community, the Council should always ensure that Minutes of Council and any Committee meetings are publicly available, and published on the Council's website, as soon as practicably possible after each meeting. Many Councils publish in Draft Form and later in Confirmed Form after eventual approval by the Council or Committee concerned. The publication of Minutes was up to date at the time of the audit in June 2021.

2.9 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). This will ensure that the Minute Book remains a lawful and authentic record. It was noted that the Minutes of the Council meetings held on 27 January 2021 and 15 March 2021 were not signed on each page.

**Recommendation 1: The Council should ensure that each page of the Minutes is consecutively numbered and initialled by the Chair at the meeting at which the Minutes are approved to provide that a lawful and authentic record is maintained.**

2.10 The Council has adopted the Suffolk Local Code of Conduct for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. At the meeting on 15 March 2021 Councillors were reminded of the Code of Conduct when carrying out their duties. The Council resolved to approve the continued acceptance of the Code (Minute 20.074b refers).

**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 15 March 2021 and noted that it was well within the limit of spending (Minute 20.077k 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 15 March 2021 that a re-claim for £588.44 VAT paid in the period 1 March 2020 to 28 February 2021 had been submitted online to HMRC and received at bank on 5 March 2021 (Minute 20.077f 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. A sample of transactions was closely examined in detail and found to be in order.

3.5 It was noted that a refund of £50.00 relating to a repayment by the Suffolk Accident Rescue Service has been shown in the Accounts as a Receipt. Current accounting practice provides that refunds of expenditure (e.g. a refund of a cheque paid) should be deducted from Payments to avoid artificially inflating the income figures of the authority. The External Auditors, PKF Littlejohn LLP, has listed this as one of the common errors made by local councils (Appendix 1 (Box 9) of their Guidelines). As the Accounts for the year have been approved by the Council and the amount of the refund is not significant in the overall context of the Council's finances, following discussion between the Clerk/RFO and the Internal Auditor it was decided that changes would not be made to the Accounts at this stage.

3.6 The VAT element of £10 in the payment of £60 to C. Ling and Son on 30 March 2021 had not been displayed in the Purchase Ledger Spreadsheet and the Clerk/RFO agreed to make the necessary addition to the Spreadsheet to facilitate a future re-claim to HMRC.

3.7 A Statement of Analysis of Variances (explaining significant differences in receipts and payments between the years 2019/20 and 2020/21) has been prepared by the Clerk/RFO for publication on the Council's website. The Clerk/RFO agreed to make a small correction (the % increase in Box 4 Staff Costs should be amended to 22.9 %).

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

4.1 The Clerk/RFO regularly completed bank reconciliations during the course of the year and reported these to the Council. The bank statements for the Barclays Community Current Account and the Barclays Business Premium (Savings) Account as at 31 March 2021 reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.

4.2 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 2020 (b/f):</i>	9,863.34
<i>Add Receipts (to 31 March 2021):</i>	6,876.17
<i>Deduct Payments (to 31 March 2021):</i>	6,991.04
<i>Account Balance at 31 March 2021 (c/f):</i>	9,748.47
<i>Represented By:</i>	
<i>Barclays Community (Current) A/C (31 March 2021):</i>	902.19
<i>Barclays Business Premium A/C (31 March 2021):</i>	8,846.28
<i>Bank Balance at 31 March 2021 (Statements as at 31 March 2021):</i>	9,748.47

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

5.1 The Council has three risk management documents in place: a Risk Assessment and Management (Financial) document, an Online Bank Risk Assessment and a Statement relating to Public Risk Assessment/Play Equipment, all of which have been published on the Council's website.

5.2 The Risk Assessment and Management (Financial) document and the Online Banking Risk Assessment document detail the identified risks and the internal controls in place to mitigate the risks identified. They were reviewed and approved by the Council at the meeting held on 15 March 2021. Similarly, the Public Risk Assessment/Play Equipment document was also reviewed and approved (Minute 20.077 refers).

5.3 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.

5.4 Insurance was in place for the year of account. The Council approved the payment of the insurance premium of £216.52 to CAS Insurance for the year 1 October 2020 to 30 September 2021 at the meeting held on 16 November 2020 (Minute 20.043a refers) under a long-term agreement expiring 30 September 2022. Employer's Liability cover and Public Liability cover each stand at £10m. The Fidelity Insurance 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.

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

Precept 2020/21: £4,803.55

Precept 2019/20: £4,899.62

6.1 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).

6.2 Similarly, the Budget for 2021/22 was discussed by the Finance Committee and considered and agreed by the Council at its meeting on 16 November 2020 (Minute 20.043d refers) and a Precept of £4,899.62 was agreed. The precept decision was confirmed by the Council at its meeting on 27 January 2021 (Minute 20.059d refers).

6.3 The Clerk/RFO ensures the Council is aware of its responsibilities and commitments and the need for forward planning and 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.

6.4 The Overall Reserves at the year-end totalled £9,748.47. As at the 31 March 2021 the Council maintained sufficient reserves and contingency sums to meet, within reason, any unforeseen items of expense.

**7. Income Controls (regarding sums received from Precept, Grants, Loans and other income including credit control mechanisms).**

7.1 Receipts recorded in the Cash Book were cross referenced with the Council's Bank Statements on a sample basis and found to be in order.

7.2 The Receipts in the year consisted of Precept (£4,803.55), Vat Refund from HMRC (£588.44), SCC Grass Cutting (£1,429.38) and Bank Interest (£4.80). As reported at item 3.5 above, the refund of the Payment of £50 to the Suffolk Accident Rescue Service was also included as a receipt.

**8. Petty Cash (Associated books and established system in place).**

8.1 A Petty Cash system is not in use; an expenses system is in place with any expenses claimed being re-imbursed through an on-line payment.

**9. Transparency Code (Compliance for smaller councils with income/expenditure under £25,000).**

9.1 Under the provisions of the Transparency Code, Otley Parish Council can be designated as a 'Smaller Council'.

9.2 The Council's website is: <http://www.otley.onesuffolk.net/>

Smaller Councils should publish on their website:

- a) *All items of expenditure above £100. Included in published Minutes of the Council meetings.*
- b) *Annual Governance Statement: 2019/20 AGAR Annual Return Section One. Published on website.*
- c) *End-of-Year accounts: 2019/20 AGAR Annual Return, Section Two. Published on website.*
- d) *Annual Internal Audit report within 2019/20 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). An Asset Register has been published.*
- g) *Minutes, agendas and meeting papers of formal meetings. Published on website.*

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

9.4 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 was able to confirm that the appropriate form was published on the Council's website and displayed the Date of the Announcement, Inspection Dates, Details of Person to contact to view the accounts and the Details of the person making the announcement.

9.5 The remaining documents required to be published, as listed in the AGAR Page 1 Guidance Notes (including Certificate of Exemption, bank reconciliation and analysis of variances) were confirmed as being easily accessible on the Council's website.

**10. Payroll Controls (*PAYE and NIC in place; compliant with HMRC procedures; records relating to contracts of employment*).**

10.1 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.

10.2 The Council is registered as an employer with HMRC. The Clerk/RFO confirmed that her PAYE position was resolved with HMRC in the year 2020/21. Payments were made to HMRC under PAYE.

10.3 The Clerk/RFO has a Contract of Employment in place, dated 6 July 2015 and confirms that employment commenced on 1 June 2015.

10.4 At the meeting held on 27 January 2021 the Council considered the hourly rate of the Clerk/RFO's salary and agreed to increase the rate from £10.50 to £11.50 per hour (Minute 20.059g refers). The Clerk/RFO's P60 End of Year Certificate for 2020/21 was presented to the Internal Auditor for examination. The Certificate confirmed the PAYE payments made to HMRC in the year.

10.5 With regard to the legislation relating to workplace pensions, the Council completed a declaration of compliance under the Pensions Act 2008 and submitted the declaration to the Pensions Regulator on 21 January 2021. (The re-declaration of compliance confirms to the Pensions Regulator that the Council complies with its duties as an employer and has to be completed every three years).

**11. Assets Controls (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).**

11.1 An Asset Register is in place. The Register was reviewed and approved by the Council at its meeting on 15 March 2021 (Minute 20.077g refers). Similarly, at that meeting, the Public Land and Building Assets document was also approved by the Council (Minute 20.077j refers).



11.2 The Asset Register displays a value of £17,244.75 as at 31 March 2021, a net increase of £106.46 over the value at the end of the previous year, 31 March 2020, and reflects the acquisition of a new Laptop Computer (£506.94) and the deletion from the Register of the old Laptop Computer (£400.48).

11.3 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 purchase cost value.

**Recommendation 2: Box 9 of Section 2 of the AGAR for 2020/21 requires correction to display the asset value of £17,245 as at 31 March 2021 (rounded for the purposes of the Return). The corrected figure on the AGAR should be initialled by the Chair and the RFO before publication on the Council's website and reported to the next meeting of the Council.**

**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. 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 date, time, the Payee and the amount of the payment. All payments in the 2020/21 year of account were made electronically, either by on-line payment or standing order/direct debit.

13.3 The Clerk/RFO confirmed 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; a Proposer and Seconder put forward the payments to be made. The Clerk/RFO acts as the 'service administrator' who initiates the online payment, which is then electronically authorised by Councillors to release the funds.

13.4 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.

13.5 The procedure for the making of electronic payments is included in the Council's Financial Regulations and in the Online Banking Risk Assessment. The Council approves the online banking procedure annually (the meeting on 15 March 2021, Minute 20.077 h refers).

13.6 The Internal Audit Report for the previous year, 2019/20 was reported in detail to the Council and formally accepted at the meeting on 27 July 2020 (Minute 20.010d refers). No matters of concern had been raised in the report.

13.7 The Internal Auditor for the 2020/21 year was appointed by the Council at the meeting held on 27 January 2021 (Minute 20.059e refers).

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

14.1 An External Audit was not required in the year 2019/20. At its meeting on 27 July 2020 the Council agreed the completion of the Certificate of Exemption from a Limited Assurance Review for that year (Minute 20.010div refers).

14.2 For the year 2020/21 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. The Certificate of Exemption was completed and approved by the Council at its meeting on 17 May 2021 (Minute 20.023iv refers).

**15. Additional Comments.**

15.1 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, CPFA**

**Internal Auditor**

**28 June 2021**