

HEELIS & LODGE

Local Council Services • Internal Audit

Internal Audit Report for Otley Parish Council – 2017/18

The following Internal Audit was carried out on the adequacy of systems of control. The following recommendations/comments have been made:

Receipts: £8,890.42

Payments: £8,213.25

Reserves: £7,814.93

AGAR Completion:

Section One: *In draft*

Section Two: *In draft*

Annual Internal Audit Report: *Yes, signed by Internal Auditor*

Proper book-keeping Cash Book, regular reconciliation of books and bank statements. Supporting vouchers, invoices and receipts

The Cashbook Spreadsheets are well referenced and provide a good audit trail to the Bank Statements, the Cheque Book counterfoils and the financial information prepared by the Clerk. These documents provide good evidence in support of the receipts and payments in the year. Supporting paperwork is in place and well referenced. A sample of transactions in the Cashbook Spreadsheet was closely examined and found to be in order.

VAT payments are tracked and identified within the Cash Book. Payments made under the Local Government Act 1972 Section 137 are also separately identified within the End-of-Year accounts.

The Council's documentation and records were extremely well presented for the Internal Audit review.

The draft entries in Sections 1 and 2 of Part 2 of the Annual Governance and Accountability Return were examined and all found to be in order.

Financial regulations Standing Orders and Financial Regulations
Tenders
Appropriate payment controls including acting within the legal framework with reference to council minutes
Identifying VAT payments and reclamation
Cheque books, paying in books and other relevant documents

Appointment of Responsible Financial Officer (RFO): *The Clerk and RFO, Mrs Rachel Green, has a contract of employment which confirms her appointment as*

Contact details:
Heelis & Lodge
52 Parkway, Wickham Market, Suffolk, IP13 0SS
Tel: 07732 681125
Email: heather@heelis.eu

Clerk and RFO from 1 June 2015. Mrs Green was re-affirmed as the Council's RFO at the meeting held on 15 May 2017 (Minute 17.023d refers).

Standing Orders in place: *Yes, Standing Orders were up-dated and approved by the Council at its meeting on 12 March 2018 (Minute 17.119e refers).*

Financial Regulations in place: *Yes, Financial Regulations were up-dated and approved by the Council at its meeting on 12 March 2018 (Minute 17.119f refers).*

VAT reclaim in the year: *A reclaim of £272.52 for VAT paid in the period 1 April 2016 to 28 February 2017 was received at bank on 6 April 2017. A further reimbursement of £455.13 was received at bank on 15 March 2018 for the VAT paid during the period 1 March 2017 to 31 January 2018.*

Use of General Power of Competence: *Not applicable.*

Adoption of the Local Code of Conduct: *The Council adopted the Suffolk Local Code of Conduct on 14 July 2014 (Minute 15.205d refers).*

Data Protection registration: *Yes, the Council is registered with the Information Commissioner's Office as a data controller for the provision of council services (Registration Z2934889 refers, expiring on 11 December 2018).*

Contracts: *There was no record of any tenders during the year that exceeded the £25,000 Public Contracts Regulations threshold.*

Risk Assessment

Appropriate procedures in place for the activities of the council

Risk Assessment document in place: *Yes, the General Risk Assessment and the Banking/Financial Risk Assessment documents and the internal controls in place to mitigate the risks identified were reviewed and approved by the Council at the meeting held on 12 March 2018 (Minute 17.119i and j refer).*

The Council accordingly complied with the Accounts and Audit Regulations 2015 which require 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 the management of risk, with the review suitably Minuted.

The new General Data Protection Regulations will come into force on 25 May 2018. It is likely that this will affect the way in which the Parish Council handles its data. It is advised that the new Data Protection Regulations should form part of the Council's Risk Assessment.

Insurance was in place for the year of audit. The Public Liability cover stands at £10m. Employee Dishonesty (Fidelity Guarantee) cover is £25,000, which meets the current recommended guidelines, which provide that cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

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

Smaller Council: *Yes*

Website: <http://otley.onesuffolk.net/>

Smaller authorities should publish on their website:

- a) all items of expenditure above £100:
Published – Yes, within published MInutes
- b) annual governance statement:
2017 Annual Return Section 1 Published – Yes
- c) end of year accounts:
2016 Annual Return Section 2 Published – Yes
- d) annual internal audit report from 2017 Annual Return,
Published – Yes
- e) list of councillor or member responsibilities
Published – Yes
- f) the details of public land and building assets
Published – None held
- g) Minutes, agendas and meeting papers of formal meetings
Published – Yes

The Council met the requirements of the Transparency Code. A grant of £158.60 was received from the Transparency Code Fund to assist with the costs of complying with the Code.

Budgetary controls Verifying the budgetary process with reference to council minutes and supporting documents

Precept 2017/18: *£4,526.49 (12 December 2016, Minute 16.086d refers).*

Precept 2018/19: *£4,617.02 (Minutes of meetings on 11 December 2017, 17.087d and 15 January 2018, Minute 17.103d refer).*

Satisfactory budgetary procedures are in place. The Precepts were agreed in full Council and the Precept decision and amount has been Minuted. The Clerk ensures the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure Councillors have sufficient information to make informed decisions.

Income controls Precept and other income, including credit control mechanisms

Income controls were test-checked and income received was cross referenced on a sample basis with the Cashbook Spreadsheet and bank statements.

Petty Cash Associated books and established system in place

No Petty Cash is held, an expenses system is in place.

Contact details:
Heelis & Lodge
52 Parkway, Wickham Market, Suffolk, IP13 OSS
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Email: heather@heelis.eu

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| Payroll controls | <p>PAYE and NIC in place where necessary. Compliance with Inland Revenue procedures. Records relating to contracts of employment</p> <p>PAYE System in place: <i>Payroll Services are operated in-house. 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.</i></p> |
| Asset control | <p>Inspection of asset register and checks on existence of assets Cross checking on insurance cover</p> <p><i>An Asset Register is in place and was approved by the Council at its meeting on 12 March 2018 (Minute 17.119h refers). The Register displays a cost value of £17,012 as at 31 March 2018 (from £17,142 as at 31 March 2017). The reduction of £130 is due to the disposal in the year of a Yellow Grit Bin which was beyond repair.</i></p> <p><i>The Asset register complies with the current requirements which provide that each asset should be recorded at a consistent valuation, year-on-year. The Register lists the assets at their original purchase cost. The value of assets has been correctly recorded in Box 9 of Section 2 of the AGAR (Annual Return).</i></p> |
| Bank Reconciliation | <p>Regularly completed and cash books reconcile with bank statements</p> <p><i>The bank statements as at 31 March 2018 in respect of the Barclays Community (Current) Account and the Barclays Business Premium (Savings) Account reconciled with the End-of-Year accounts and agreed with the overall Bank Reconciliation.</i></p> |
| Reserves | <p>General Reserves are reasonable for the activities of the Council Earmarked Reserves are identified</p> <p><i>The Council has adequate general reserves.</i></p> |
| Year-end procedures | <p>Appropriate accounting procedures are used and can be followed through from working papers to final documents. Verifying sample payments and income Checking creditors and debtors where appropriate.</p> <p><i>The End-of-Year accounts are prepared on a Receipts and Payments basis. Sample audit trails were undertaken and were found to be in order.</i></p> |
| Sole Trustee | <p>The Council has met its responsibilities as a trustee</p> <p><i>There is no record of the Council being a sole trustee.</i></p> |

Internal Audit Procedures

The Council has satisfactory internal financial controls in place. Cheque Book counterfoils, invoices/vouchers for payment and vouchers supporting internet banking payments and account transfers are initialled by signatories as part of the overall financial control framework exercised by the Council.

The Clerk provides comprehensive financial reports to Council meetings. Councillors are provided with information to enable them to make informed decisions.

The Internal Audit report for the previous year (2016/17) was reported to the Council at its meeting on 15 May 2017 (Minute 17.023d refers).

The Council appointed Heelis & Lodge as the Council's Internal Auditors for the year 2017/18 at the meeting held on 12 March 2018 (Minute 17.119m refers).

External Audit

The report by the External Auditors, BDO LLP, for the previous year 2016/17 was received and approved by the Council at the meeting held on 11 September 2017 (Minute 17.055d refers). No matters of concern were raised by the External Auditors in relation to the year 2016/17.

Additional Comments/Recommendations

- *The Annual Parish Council meeting was held on 15 May 2017, within the required timescale. The first item of business was the Election of Chairman in accordance with the Local Government Act 1972.*
- *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
for
Heelis & Lodge

6 May 2018

Contact details:
Heelis & Lodge
52 Parkway, Wickham Market, Suffolk, IP13 0SS
Tel: 07732 681125
Email: heather@heelis.eu