

## Aylsham Town Council

### INTERNAL SCRUTINEER'S REPORT FOR THE QUARTER PERIOD : October- December 2019

The Internal Scrutineer is to be a person not involved either in the Council's financial processes or in preparing and completing the Council's Statement of Accounts.

Check Required	Date Check Completed	Result of Check	Report Result to Council Meeting
Bank reconciliation of accounts – undertaken once a quarter	4 <sup>th</sup> March 2020	Accurate	18 <sup>th</sup> March 2020
<b>INCOME:</b> Invoices, Receipts, Paying in Slips and Bank Statements for –  1) Town Hall 2) Drill Hall 3) Markets 4) Allotments 5) Events 6) Recreation Ground	3 <sup>rd</sup> March 2020	Accurate	18 <sup>th</sup> March 2020
<b>EXPENDITURE:</b> Invoices and Bank Statements for –  1) Payments by BACs/Cheques/ Direct Debits/Standing Orders/ Credit Cards 2) Staff Salaries 3) Pension/HMRC Returns 4) Petty Cash	4 <sup>th</sup> March 2020	Accurate	18 <sup>th</sup> March 2020
Burials – all relevant documentation	None	None	None to report

Notes: All financial records and systems continue to be well produced and accurate.

Signed: *Valerie Shaw*

Name: Valerie Shaw

Date 4<sup>th</sup> March 2020

Agenda Item 9b



## EFFECTIVENESS OF INTERNAL CONTROL

# WORKING PARTY MEETING

**Thursday 5<sup>th</sup> March 2020 – 15.00pm**

## **COUNCIL OFFICE, AYLSHAM TOWN HALL**

PRESENT: Mr S White Mrs E Springall

Mrs A Overton Mr D Curtis

Mrs Wendy Murphy, Finance Officer

APOLOGIES: None

A copy of the Internal Audit Report 2019-20 (First Interim Visit) dated 7<sup>th</sup> November 2019 and Interim update dated 11<sup>th</sup> February 2020 had previously been circulated. The reports have no recommendations.

The Financial Risk Assessments FRA1-FRA9 were circulated and discussed at the meeting and no changes were made. The working party recommends that Council adopt these assessments.

The meeting closed at 15.30pm

#### Town Council actions required in relation to the report:

## Adopt the Financial Risk Assessments FRA1-FRA9

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## **Aylsham Town Council**

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### ***Internal Audit Report: 2019-20 (Final Update)***

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#### **Background and Scope**

There is a statutory requirement for all town and parish councils to make arrangements for an independent internal audit examination of their accounting records and system of internal control each year and for the conclusions to be reported in the Annual Governance and Accountability Return (AGAR). Auditing Solutions Ltd was appointed to provide this service to Aylsham Town Council for the 2019-20 financial year.

This report sets out the results of our final audit work in relation to 2019-20, which was undertaken in June 2020. It updates the reports that we issued following our interim audit visits on 7<sup>th</sup> November 2019 and 12<sup>th</sup> February 2020.

#### **Internal Audit Approach**

In undertaking our audit work, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or mis-representation in the year-end Statement of Accounts, operating a mix of 100% substantive or selected sampling techniques where considered applicable.

Due to the impact of the Covid-19 pandemic, our final review for the year was undertaken remotely. We wish to thank the Town Clerk and the Finance Officer for providing the additional documentation required for the final audit review, in electronic format. This has enabled us to complete our audit work for the year and sign off of the Annual Internal Audit Report in the year's AGAR.

#### **Overall Conclusion**

On the basis of the programme of work we have undertaken for the year, we have concluded that the Council continues to maintain an adequate and effective system of internal control. The records held in support of the accounting transactions continue to be of a high standard and provide an effective audit trail, with clear cross-referencing of all relevant documentation. We have completed and signed the 'Annual Internal Audit Report' in the 2019-20 AGAR, having concluded that the internal control objectives as set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

In the sections below, we have explained the objectives of each area of our audit, outlining the work undertaken and our findings. We identified some errors in the draft accounts, relating to the accounting treatment required for the purchase of a long-term investment, but these were immediately rectified and we are pleased to report that there are no matters arising from our audit work that require a formal recommendation for further action. We ask that Members consider the content of this report.

## **Detailed Report**

### **Accounting and Banking Arrangements**

Our objective in this area is to confirm that the accounting records are being maintained accurately and kept up to date, that no anomalous entries appear in cashbooks or financial ledgers, and that appropriate banking arrangements are in place.

As in previous years, the Rialtas (Omega) accountancy package is used to maintain the financial records. The Council continues to use Barclays Bank Plc for its main day-to-day banking services. Two bank accounts are in operation, the main General (current) Account, supplemented by an Active Saver (instant access deposit) Account.

In line with good practice, the Council has deposited the majority of funds that are surplus to its immediate requirements across a number of financial institutions, in order both to minimise risk and to ensure a reasonable rate of interest return is achieved. As at 31<sup>st</sup> March 2020, the Council's short-term investments (i.e. those with a maturity date of up to one year) comprised two Treasury Bonds with Barclays Bank, together with investments with the CCLA Public Sector Deposit Fund and Shawbrook Bank. A one-year investment that had previously been held with Hodge Bank, which matured in February 2020, was re-invested as a 2-year Fixed Rate Bond with that bank and is now accounted for as a long-term investment.

In the course of our audit work, we have:

- Confirmed that the opening trial balance for 2019-20 recorded on Omega agreed to the 2018-19 AGAR and the detailed end of year accounts;
- Verified that the accounting records remained "in balance" at the time of our interim visit and as at 31<sup>st</sup> March 2020;
- Confirmed the accounting code structure in place provides adequate information to meet budget reporting and control requirements;
- Checked and agreed the transactions recorded on Omega to the relevant bank statements for four sample months (April, August and December 2019, plus March 2020);
- Confirmed that regular monthly bank reconciliations continue to be carried out by the Finance Officer and independently reviewed by the Town Clerk;
- Checked and verified the detail of the bank reconciliations as at 30<sup>th</sup> April, 31<sup>st</sup> August and 31<sup>st</sup> December 2019, plus 31<sup>st</sup> March 2020;
- Confirmed that there is accurate disclosure of the overall cash balances in the year-end statutory accounts (Section 2, Line 8 of the AGAR),
- Confirmed that appropriate procedures remain in place for backing up financial and other IT systems in use at the Council.

### **Conclusion**

***On the basis of our audit work, we are satisfied that the controls in place in this area are adequate and are operating effectively. There are no matters arising that require a formal comment or recommendation.***

## **Corporate Governance arrangements**

Our objective is to confirm that the Council has robust corporate governance arrangements in place and that, as far as we may reasonably be expected to ascertain (as we do not attend Council meetings) all meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature have been or are being considered for implementation.

During the course of our audit, we have confirmed the following:

- Our review of the minutes of the Council for the 2019-20 financial did not identify any issues that we consider might have an adverse effect, through litigation or other causes, on the Council's future financial stability;
- Following the 2019 local government elections, the Council resolved to re-adopt and use the General Power of Competence and formally recorded that all criteria were met;
- The Council has continued to give active consideration to internal control matters, in particular, through the work of the Effectiveness of Internal Control Working Party and the "Independent Scrutineer" role; with the adoption of an Internal Control Policy for 2019-20, and
- Both the Standing Orders and Financial Regulations were reviewed in May 2019 and the Council re-approved them without revision.

## **Conclusion**

***There are no matters arising that require a formal comment or recommendation.***

## **Review of Expenditure**

Our objective here is to ensure that:

- Council resources are released in accordance with approved procedures and budgets;
- An official order has been raised for the supply of goods and services on any occasion where one would be anticipated;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- Any discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have completed our review of the procedures in place in this area. Overall, we selected a sample of 74 non-pay related payments from across the financial year, to confirm compliance with the above criteria. Our test sample included all payments in excess of £2,000, together with a more random selection of every 20<sup>th</sup> payment as recorded in the Omega accounts, totalling £378,000 and equating to 74% of non-pay expenditure in the year.

VAT re-claims have been submitted on a regular basis during the 2019-20 financial year. We have checked and agreed the detail of the re-claims and confirmed that they agree to the Omega control account, with the year-end debtor correctly identified in the annual accounts.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

### **Assessment and Management of Risk**

Our objective 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 & safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage any risks identified in order to minimise the opportunity for their coming to fruition.

During the course of our audit, we have confirmed the following:

- In October 2018, following a tendering exercise, the Council entered into a 3-year contract with Hiscox for the provision of its insurance services. The cover in place during 2019-20 included Employer's Liability and Public Liability of £10 million, Hirer's Liability of £5 million and Fidelity Guarantee cover of £0.5 million, which is in line with other similar authorities;
- The Council re-adopted its overall Risk Management Policy at the meeting in May 2019. The detailed Financial Risk Assessment was most recently approved by the Council in January 2019. It was subsequently reviewed in detail by the Effectiveness of Internal Control Working Group on 5<sup>th</sup> March 2020 and was due for consideration by the Council at its meeting on 18<sup>th</sup> March 2020. However, the item was deferred due to restrictions on the agenda as a result of the Covid-19 lockdown.
- Council staff have continued to undertake regular reviews of playground equipment throughout the year, with annual inspections carried out by RoSPA. We note that the results of the RoSPA inspections were reported to the Council on 18<sup>th</sup> September 2019, with confirmation that the actions identified had either been addressed or were in hand.

### ***Conclusion***

***There are no matters arising that require a formal recommendation. However, as the full Council should formally consider its Financial Risk Assessment on an annual basis, this should be completed at the earliest opportunity.***

### **Budget setting, budgetary control and reserves**

Our objective here is to confirm that the Council has robust procedures in place for identifying and approving its future budgetary requirements and the level of Precept to be drawn down from District Council: also, that an effective reporting and monitoring process is in place. We also aim to confirm that the Council retains sufficient funds in earmarked and general reserves to finance its ongoing spending plans and to cover any unplanned expenditure that might arise.

We have confirmed that effective budget monitoring arrangements are in place, with the Council receiving monthly reports on progress against the budget and the overall financial position.

The Precept and budget for 2020-21 was formally agreed at the Council meeting on 20<sup>th</sup> November 2019. The Precept was set at £411,760, compared to £412,950 for 2019-20. With the expected increase in the tax base, this represented a reduction for Band D properties of 3.8% from the previous year. As in previous

years, detailed supporting information was provided by the Town Clerk to inform the decision-making process. As part of the process, consideration was given to the fees and charges to apply for 2020-21 and the level of reserves required.

At the year end, the Council's overall reserves, including its long-term investment of £86,335 with Hodge Bank, amounted to £498,510 (compared to £580,072 at the previous year-end). Of the total reserves, £312,175 (£322,725) has been earmarked for a range of purposes, with the remaining £186,335 (£257,624) held as a General Fund (contingency reserve). This equates to 45% of the 2020-21 Precept, which is not unreasonable.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

### **Review of Income**

In considering the Council's income streams, our objective is to confirm that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that it is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

- We are pleased to note that Members continue to review the Council's scales of fees and charges annually. Those for 2019-20 were confirmed in January 2019 and, as noted above, the fees and charges for 2020-21 were considered as part of the budget-setting process;
- As noted earlier in this report, we have checked and agreed four sample months' receipts transactions from cashbooks to relevant bank statements;
- We checked the details of interments, as recorded in the Burial Register for the period 1<sup>st</sup> April to 31<sup>st</sup> December 2019, ensuring that all entries are supported by appropriately completed undertakers' applications and that the correct fee has been invoiced and payment received and banked in a timely manner. We also reviewed the income arising from the sale of Exclusive Rights of Burial and installation of memorials/addition of further inscriptions for the same period, again ensuring that the appropriate fees have been charged, recovered and banked promptly;
- We reviewed the Main Hall and Drill Hall booking diaries for a sample of one month (September 2018), to confirm that invoices have been raised for the correct fees and payment received promptly and that booking forms and other relevant documents are held.
- Our reviews of allotment income and market income were due to be undertaken at our final audit visit. However, as this work had to be performed remotely, it has not been possible for us to undertake any detailed work. On the basis of previous audit reviews, we consider these areas to be relatively low risk and they will be covered in detail in our 2020-21 audit.
- We examined the Sales Ledger "Aged Debtors Report" as at the end of March 2020 and confirmed that the amount of outstanding debt remains very low and the debtor position is well managed.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

### **Petty Cash and Credit Card Usage**

We are required, as part of the Internal Audit Certification process in the AGAR to assess and give a view on the effectiveness of control over any petty cash account in use by the Council. To meet that objective, we confirm that:

- Any petty cash account(s) in operation are managed effectively and that all expenses incurred are appropriately supported by a trade invoice or relevant till receipt;
- Only low value expenditure is incurred from any petty cash account(s) in use;
- Where appropriate, VAT is identified and coded accordingly for periodic recovery from HMRC; and
- The physical cash held is periodically reconciled to the supporting records.

The Council operates a limited petty cash account, topped up “as and when required” to a maximum holding of £250. We verified the payments made from June to August 2019 to suppliers’ invoices or till receipts and the separation of VAT for periodic recovery with no matters arising; and

The Council holds a corporate Barclaycard for occasional urgent/internet purchases with one authorised user, a maximum credit limit of £10,000 and settlement in full by monthly direct debits. We checked and agreed the expenditure arising in August 2019 to suppliers’ invoices or till receipts and all were in order.

At our final audit visit, we confirmed that the petty cash balance as at 31<sup>st</sup> March 2019 has been included correctly as part of the ‘total cash and short-term investments’ figure in Section 2, Box 8 of the AGAR.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

### **Salaries and Wages**

In examining the Council’s payroll function, our objective is to confirm that extant legislation is being appropriately observed 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, together with meeting the requirements of the local government pension scheme as further revised from 1<sup>st</sup> April 2019 in relation to the employee contribution percentage bandings.

All Council staff continue to be paid on a monthly basis, with the “Brightpay” software used to prepare the payroll. This is completed by the Finance Officer and reviewed by the Town Clerk.

To meet our objectives, we have:

- Confirmed that the Council continues to approve the staff pay rates annually and has implemented the NJC award for 2019-20;
- Confirmed that an appropriate signed contract of employment is held for all staff;
- Checked and agreed the computation of staff gross and net pay and salary deductions for September 2019;
- Checked to ensure that the appropriate tax codes have been applied for the year and that the correct taxation and national insurance deductions have been calculated and are being paid over appropriately;
- Checked to ensure that the appropriate percentage deductions for staff contributions to the Local Government Scheme are being applied in the year, and
- Verified the accuracy of the payment by BACS of the monthly salary payments to employees for September 2019, also confirming the accuracy of payments made to HMRC and the Pension Fund Administrators, and that the Council’s procedures for Member approval had been followed.

## **Conclusion**

***There are no matters arising that require a formal comment or recommendation.***

## **Asset and Investment Register**

The reporting arrangements for assets in the AGAR require councils to report the value of each asset at purchase cost or at a suitable proxy where that value is not known, and for community assets to be valued at a nominal £1. The value of individual assets should not change from one year to another, with the only changes being the inclusion of new assets purchased or removal of assets disposed of.

The Council maintains a detailed asset and investment register, with asset values recorded in accordance with the above requirements, which is updated at the end of each financial year. In the course of our final audit work, we reviewed the register as at 31st March 2020 and agreed the total asset value of £3,834,981 - reconciling the movements from the previous year end value of £3,446,974. The most significant change has been the requirement to include the value of the long-term investment of £86,335 with Hodge Bank, in accordance with the requirements of the Practitioners' Guide.

We have confirmed that the total value of assets, together with this investment, has been correctly reported in the 'total fixed assets and long-term investments' value in the Accounting Statements (Section 2, Box 9 of the AGAR).

## **Conclusion**

***There are no matters arising that require a formal comment or recommendation.***

## **Investments and Loans**

Our objective here is to confirm that an appropriate investment strategy/policy is in place, that any funds not required for immediate use, whether temporarily or on a longer-term basis are invested in line with that strategy and that interest earned is brought to account correctly and appropriately in the accounting records. We also confirm that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

During the course of our audit work, we have:

- Confirmed that the Council is complying with its investment policy, which was approved in January 2017;
- Reviewed the transactions on the short-term investments held with various financial institutions, by reference to third party bank statements and confirmations of deposits, confirming that any interest earned is being paid gross;
- Confirmed that a short-term investment with Hodge Bank which matured in February 2020 was re-invested in a 2-year Fixed Rate Bond with the Bank on 27<sup>th</sup> February. We have also confirmed with the Finance Officer that the purchase of the Bond has been correctly accounted for (i.e. shown as expenditure in the year, with the total value of the investment recorded within the Council's Asset and Investment Register as at 31<sup>st</sup> March 2020);
- Checked and agreed the instalment repayments for the Council's three outstanding Public Works Loan Board (PWLB) loans to the third party "demand" notices, and
- Confirmed that the capital and interest repayments made to PWLB in the year, and the balance outstanding at the year-end, have been reported correctly in the AGAR (Section 2, Boxes 5 and 10 respectively)

### ***Conclusion***

***There are no matters arising that require a formal recommendation. However, Members should note that with the reallocation of the Hodge Bank investment as a long-term investment, its value will no longer appear on the monthly bank reconciliation statements produced by the Omega system - which only reports the balances of cash and short term investments - or in the end of year Balance Sheet produced by the software.***

### ***Statement of Accounts and AGAR***

We have examined the detailed Income and Expenditure accounts produced from the Omega software and the draft of the statutory Accounting Statements that the Council is required to complete as Section 2 of the AGAR. We have agreed the detail to the supporting accounting records and other related documentation. The only significant change required to the draft accounts was the need to adjust the accounting treatment of the Hodge Bank long-term investment, referred to above.

### ***Conclusions***

***No matters have arisen from this area of our review that require a formal comment or recommendation. We look forward to receiving a copy of the finalised AGAR (Sections 1 and 2), once the document has been approved by the Council.***

***On the basis of the work undertaken during the course of our review for the year, we have completed and signed the Annual Internal Audit Report in the Annual Return, assigning positive assurances in all areas of internal control.***

Month No: 12

## Aylsham Town Council 2019/2020

## Summary Income &amp; Expenditure by Budget Heading 08/07/2020

## Cost Centre Report

		Actual	Budget	Variance	Funds	% Spent
					Available	
General Purpose	Income	122,052	106,450	(15,602)		114.7%
	Expenditure	180,470	94,506	(85,964)	(85,964)	191.0%
	Net Income over Expenditure	(58,418)	11,944	70,362		
	plus Transfer from EMR	0				
	less Transfer to EMR	0				
	Movement to/(from) Gen Reserve	(58,418)				
Town Hall	Income	68,210	69,000	790		98.9%
	Expenditure	95,746	79,279	(16,467)	(16,467)	120.8%
	Movement to/(from) Gen Reserve	(27,536)				
Drill Hall	Income	61,069	63,350	2,281		96.4%
	Expenditure	155,564	63,368	(92,196)	(92,196)	245.5%
	Movement to/(from) Gen Reserve	(94,494)				
23 Market Place	Income	5,444	5,500	56		99.0%
	Expenditure	145	600	455	455	24.2%
	Movement to/(from) Gen Reserve	5,299				
Cemetery Cottage	Income	4,392	6,750	2,358		65.1%
	Expenditure	1	1,500	1,499	1,499	0.1%
	Movement to/(from) Gen Reserve	4,390				
Public Toilets	Expenditure	16,972	17,450	478	478	97.3%
Other Properties	Income	12,350	12,350	0		100.0%
	Expenditure	5,171	5,032	(139)	(139)	102.8%
	Movement to/(from) Gen Reserve	7,179				
Cemetery	Income	20,160	21,250	1,090		94.9%
	Expenditure	16,891	21,258	4,367	4,367	79.5%
	Movement to/(from) Gen Reserve	3,269				
Norwich Road	Income	220	0	(220)		0.0%
	Expenditure	7	0	(7)	(7)	0.0%
	Movement to/(from) Gen Reserve	213				
Cromer Road	Income	878	0	(878)		0.0%
	Expenditure	300	250	(50)	(50)	120.0%
	Movement to/(from) Gen Reserve	578				
Woodgate	Income	1,310	0	(1,310)		0.0%
	Expenditure	77	0	(77)	(77)	0.0%
	Movement to/(from) Gen Reserve	1,233				
Bure Meadows	Income	2,006	0	(2,006)		0.0%
	Expenditure	933	0	(933)	(933)	0.0%
	Movement to/(from) Gen Reserve	1,073				

		Actual	Budget	Variance	Funds Available
Allotments General	Income	19,300	23,800	4,500	
	Expenditure	21,932	23,534	1,602	1,602
	Net Income over Expenditure	(2,632)	266	2,898	
	less Transfer to EMR	0			
	Movement to/(from) Gen Reserve	(2,632)			
Markets	Income	8,090	7,400	(690)	
	Expenditure	1,972	2,550	578	578
	Movement to/(from) Gen Reserve	6,118			
Open Spaces	Income	145,425	145,910	485	
	Expenditure	157,529	150,813	(6,716)	(6,716)
	Net Income over Expenditure	(12,103)	(4,903)	7,200	
	plus Transfer from EMR	0			
	Movement to/(from) Gen Reserve	(12,103)			
Street Scene	Income	64,897	45,350	(19,547)	
	Expenditure	49,562	45,350	(4,212)	(4,212)
	Movement to/(from) Gen Reserve	15,335			
Christmas	Income	2,670	0	(2,670)	
	Expenditure	4,985	1,650	(3,335)	(3,335)
	Movement to/(from) Gen Reserve	(2,315)			
Street Party	Income	1,305	0	(1,305)	
	Expenditure	2,154	0	(2,154)	(2,154)
	Movement to/(from) Gen Reserve	(849)			
General events	Income	2,082	0	(2,082)	
	Expenditure	2,338	0	(2,338)	(2,338)
	Movement to/(from) Gen Reserve	(257)			
Collectors Fair	Income	2,679	0	(2,679)	
	Grand Totals:- Income	<b>544,538</b>	<b>507,110</b>	<b>(37,428)</b>	
	Expenditure	<b>712,749</b>	<b>507,140</b>	<b>(205,609)</b>	<b>(205,609)</b>
	Net Income over Expenditure	<b>(168,211)</b>	<b>(30)</b>	<b>168,181</b>	

**Aylsham Town Council 2019/2020**

**Detailed Balance Sheet - Excluding Stock Movement**

A/c	Description	Actual		
	Current Assets			
100	Debtors	1,877		
105	VAT Control A/c	13,710		
200	Current Bank A/c	9,756		
210	Active Saver	33,090		
215	Public Sector Deposit Fund	25,804		
220	Treasury Fixed Term Deposit	100,000		
225	Treasury Fixed Term Deposit 2	150,000		
245	Shawbrook - Issue 7 Fixed Bond	86,025		
250	Petty Cash	250		
	<b>Total Current Assets</b>	<b>420,512</b>		
	<b>Current Liabilities</b>			
500	Purchase Ledger	2,931		
501	Opening Balance Creditors	4,507		
535	Allotment Deposits	900		
	<b>Total Current Liabilities</b>	<b>8,338</b>		
	<b>Net Current Assets</b>	<b>412,175</b>		
	Represented by :-			
300	Current Year Fund	(168,211)		
310	General Reserves	268,211		
320	EMR - Bottle Bank	3,250		
321	EMR - Cittaslow	1,200		

322	EMR - Community Events	11,400		
325	EMR - New Home Bonu	28,300		
326	EMR - CIL	13,100		
327	EAR - Marquees	1,200		
329	EMR - Drill Hall	16,800		
330	EMR - Town Hall	27,000		
331	EMR - Properties	10,100		
332	EMR - Public Toilets	5,700		
333	EMR - Cemetery	25,400		
334	EMR - Allotments	4,725		
335	EMR - Open Spaces	88,900		
336	EMR - Highway Verges	4,200		
337	EMR - Recreation Ground	34,400		
338	EMR - Churchyard	16,500		
339	EMR - Street Furniture	20,000		
<b>Total Equity</b>				<b>412,175</b>

**Agenda Item 9f**

**Aylsham Town Council 2019/2020**

**Earmarked Reserves**

Account	Opening Balance	Net Transfers	Closing Balance
320 EMR - Bottle Bank	3,950.00	-700.00	3,250.00
321 EMR - Cittaslow	1,200.00		1,200.00
322 EMR - Community Events	10,900.00	500.00	11,400.00
324 EMR - Election	1,450.00	1,450.00	0
325 EMR - New Home Bonus	28,300.00		28,300.00
326 EMR - CIL	2,700.00	10,400.00	13,100.00
327 EAR - Marquees	1,200.00		1,200.00
329 EMR - Drill Hall	86,800.00	-70,000.00	16,800.00
330 EMR - Town Hall	27,000.00		27,000.00
331 EMR - Properties	10,100.00		10,100.00
332 EMR - Public Toilets	5,700.00		5,700.00

333	EMR - Cemetery	19,700.00	5,700.00	25,400.00
334	EMR - Allotments	4,725.00		4,725.00
335	EMR - Open Spaces	86,400.00	2,500.00	88,900.00
336	EMR - Highway Verges	4,500.00	-300.00	4,200.00
337	EMR - Recreation Ground	9,400.00	25,000.00	34,400.00
338	EMR - Churchyard	15,000.00	1,500.00	16,500.00
339	EMR - Street Furniture	3,700.00	16,300.00	20,000.00
		<b>322,725.00</b>	<b>-10,550.00</b>	<b>312,175.00</b>

## 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 recomment 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 been completed?	✓	
	Has all additional information requested, including the <b>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

### AYLSHAM TOWN 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.	✓		
<b>M. (For local councils only)</b> 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

07/11/2019 11/02/2020 29/06/2020

Name of person who carried out the internal audit

S J Pollard for Auditing Solutions Ltd

Signature of person who carried out the internal audit

Date

03/07/2020

\*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:

AYLSHAM TOWN 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 has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.

\*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:

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

and recorded as minute reference:

Chairman

Clerk

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

Authority web address

[www.aylsham-tc.gov.uk](http://www.aylsham-tc.gov.uk)

## Section 2 – Accounting Statements 2019/20 for

### AYLSAHM TOWN COUNCIL

	Year ending		Notes and guidance
	31 March 2019 £	31 March 2020 £	
1. Balances brought forward	613,072	580,386	Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records.
2. (+) Precept or Rates and Levies	410,100	412,950	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.
3. (+) Total other receipts	121,990	131,588	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.
4. (-) Staff costs	181,315	189,891	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
5. (-) Loan interest/capital repayments	30,550	29,980	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).
6. (-) All other payments	352,912	492,878	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	580,386	412,175	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	578,534	404,925	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.
9. Total fixed assets plus long term investments and assets	3,716,699	3,834,981	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	237,812	212,188	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

Date

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

AYLSHAM TOWN COUNCIL

In respect of

### 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 drew 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))



		Actual	Budget	Variance	Funds Available
General Purpose	Income	51,9	98,5	46,5	
	Expenditure	34,6	91,7	57,1	57,1
	Net Income over Expenditure	17,3	6,75	(10,61)	
	plus Transfer from EMR	0			
	less Transfer to EMR	0			
	Movement to/(from) Gen Reserve	17,3			
Town Hall	Income	20,9	58,9	38,0	
		34	80	46	
	Expenditure	21,6	64,0	42,4	42,4
	Movement to/(from) Gen Reserve	(722)			
Drill Hall	Income	19,5	65,0	45,4	
		25	25	25	
	Expenditure	21,5	64,9	43,4	43,4
	Movement to/(from) Gen Reserve	(1,9)			
23 Market Place	Income	625	5,50	4,87	
		0	400	400	400
	Movement to/(from) Gen Reserve	625			
Cemetery Cottage	Income	1,25	21,7	20,4	
		0	20	20	
	Expenditure	165	1,50	1,33	1,33
	Movement to/(from) Gen Reserve	1,09			
Public Toilets	Expenditure	3,74	36,7	32,9	32,9
		7	20	20	20
Other Properties	Income	8,30	16,6	8,35	
		865	5,29	4,43	4,43
	Movement to/(from) Gen Reserve	7,43			
Cemetery	Income	13,8	22,1	8,26	
		10	20	20	20
	Expenditure	3,52	22,0	18,5	18,5
	Movement to/(from) Gen Reserve	10,3			
Cromer Road	Income	15	0	(15)	
		0	250	250	250
	Movement to/(from) Gen Reserve	15			
Woodgate	Income	(56)	0	56	
Bure Meadows	Income	(15)	0	15	
	Expenditure	194	0	(194)	(194)
	Movement to/(from) Gen Reserve	(209)			
Allotments General	Income	8,90	24,8	15,9	
		5	20	20	20
	Expenditure	3,36	24,5	21,1	21,1
	Net Income over Expenditure	5,53	260	(5,27)	
	less Transfer to EMR	0			
	Movement to/(from) Gen Reserve	5,53			



		Actual Year	Current	Variance	Funds Available
Markets	Income	800	8,50	7,70	
	Expenditure	1,96	2,65	684	684
	Movement to/(from) Gen Reserve	(1,166)			
Open Spaces	Income	76,91	148,19	71,27	
	Expenditure	51,48	154,02	102,54	102,54
	Net Income over Expenditure	25,43	(5,838)	(31,269)	
	plus Transfer from EMR	0			
	Movement to/(from) Gen Reserve	25,43			
Street Scene	Income	24,58	184,86	160,27	
	Expenditure	100,35	184,86	84,50	84,50
	Movement to/(from) Gen Reserve	(75,768)			
Christmas	Income	80	0	(80)	
	Expenditure	0	1,65	1,65	1,65
	Movement to/(from) Gen Reserve	80			
Street Party	Expenditure	150	0	(150)	(150)
General	Income	(30)	0	30	
	Expenditure	500	0	(500)	(500)
	Movement to/(from) Gen Reserve	(530)			
	Grand Totals:- Income	227,74	654,83	427,08	
		5	0	5	
	Expenditure	244,17	654,77	410,60	410,60
		3	8	5	5
	Net Income over Expenditure	(16,428)	52	16,48	