



The Members of Potto Parish Council

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## **Potto Parish Council: Audit of Accounts for the years ended 31 March 2017, 2018, 2019 and 2020: Public Interest Report**

Dear Members

We are appointed to serve as auditor of Potto Parish Council's ('the Council') accounts for the years ended 31 March 2017, 2018, 2019 and 2020.

### **Background**

Paragraph 1 of Schedule 7 of the Local Audit and Accountability Act 2014 ('the 2014 Act') requires us to consider whether, in the public interest, we should make a report on any matter coming to our notice during our audit relating to the Council, so it can be considered by the Council or brought to the public's attention.

Section 27 of the 2014 Act allows a local authority elector for the Council's area to make an objection to the Council's accounts concerning a matter in respect of which we could report in the public interest. It requires us to decide whether to consider any such objection and, if so, whether to issue a Public Interest Report.

A local government elector ('the objector') made a series of objections relating to the Council's accounts for the years ended 31 March 2017, 2018, 2019 and 2020. We decided to consider some, but not all, of those objections.

Having considered those accepted objections, we decided to issue a Public Interest Report so that the matters may be considered by the Council and brought to the attention of the public. We decided to issue a Public Interest Report because of the significance of our findings taken together.

The same local government elector has also made a series of objections relating to the Council's accounts for the year ended 31 March 2021.

## Annual Parish Council meetings

Legislation requires the Council to hold an annual meeting within 14 days of the date of elections, or in May in years where there are no elections to the Council. It also requires the Council to appoint a Chair at its annual meeting.

We have not identified meetings held specifically for the purposes of Paragraph 7 of Schedule 12 of the Local Government Act 1972, i.e. the annual parish council meeting. In particular, there are no agenda items or minutes relating to the election of a Chair of the Council for the years ended 31 March 2017, 2018, 2019 and 2020 (although we note that in 2020, the Council postponed but did not later hold the 'annual meeting' and 'election of officials').

***R1 & R2: We recommend that the Council:***

- ***holds an annual meeting in accordance with legislation; and***
- ***at the annual meeting elects a Chair of the Council for the year.***

## Standing Orders

As a public body, it is important that the Council is able to demonstrate structured and appropriate arrangements for the conduct of its business. It has a statutory power to adopt Standing Orders and has chosen to do so.

Good governance requires:

- clear processes for the adoption of Standing Orders; and
- clarity about the Standing Orders in force.

In the period covered by our review the Council had two versions of Standing Orders; however:

- we have not been able to locate a minute authorising the Standing Orders dated 15 January 2016 that we are advised were in place until 15 May 2019; and
- although we have seen a minute of the Council meeting of 15 May 2019 adopting revised Standing Orders, the version of Standing Orders provided to us was undated.

***R3 & R4: We recommend that the Council ensures that:***

- ***it clearly minutes all adoption of Standing Orders; and***
- ***it clearly specifies on Standing Orders the date of their adoption.***

## Publication of agendas

Publication of agendas for Council meetings is an important means by which the Council demonstrates public accountability. Legislation requires that, at least three clear days before a meeting of a parish council, notice of the time and place of the intended meeting shall be fixed in some conspicuous place in the parish.

In addition to placing agendas on its notice board, the Council publishes the agendas on its website. The Council maintains a record of the dates on which it submitted agendas to be posted on its website but not of the date on which the agendas were posted. The Council cannot therefore demonstrate whether agendas were available on its website in advance of the meetings to which they relate.

***R5: We recommend that the Council maintains and reviews a record of the date on which agendas are posted on the Council's website.***

## Publication of minutes

Publication of minutes of Council meetings is a key means by which the Council demonstrates accountability to the public. Legislation prescribes timescales within which Council minutes should be published.

The Council publishes minutes both by placing them on the Council's noticeboard and by posting them on the Council's website. However, it does not retain a record of the date on which the minutes are posted on the Council's website, as opposed to the date on which they are forwarded to the Council's webmaster for posting. As a result it is not possible for the Council to demonstrate that minutes were published on its website promptly.

***R6: We recommend that the Council maintains and reviews a record of the date on which minutes are posted on the Council's website.***

## Council Tax precept

The Council has a power to raise funds by submitting a Council Tax precept to the District Council. This is an important power and legislation specifies how the precept is to be set, including by determining the reserves that it would be appropriate to raise or prudent to use, having regard to the estimated level of reserves at the end of the financial year.

Although the Council considered estimated income and expenditure in setting its Council Tax precept, it did not explicitly consider the level of reserves and reasonableness of that level as it was required to do.

***R7: We recommend that the Council adopts a more structured approach to setting its Council Tax precept, including setting out in the report to the Council proposing the Council Tax precept and/or minutes of the Council meeting setting the precept, the estimated reserves that it would be appropriate to raise or prudent to use, having regard to the estimated level of reserves at the end of the financial year.***

## Authorisation of payments

A key control over the Council's finance involves the authorisation of payments by the Council. The Council receives and approves schedules of payments. However, the effectiveness of this control is reduced as the schedules exclude certain payments, including payment of salaries.

***R8: We recommend that the Council explicitly approves all payments made.***

## Compliance with the Freedom of Information Act 2000

The Freedom of Information Act 2000 is designed to allow members of the public to access information held by public bodies except where there is a good reason for the information not to be in the public domain. The legislation establishes an Information Commissioner to whom those who have sought information from public bodies may complain if they believe that a public body has not complied with its duties under the Act.

Over the period 2016/17 to 2019/20, the Council received 11 decision notices from the Information Commissioner. In the case of 10 of those, the Information Commissioner found that the Council had not complied with provisions of the Freedom of Information Act 2000 and in three cases required the Council to take further action.

Subsequently the Council has received a further three decision notices. In two cases, the Information Commissioner found that the Council had not complied with provisions of the Freedom of Information Act 2000 and in one case required the Council to take further action.

We are concerned that the Council has on many occasions failed to comply with requirements of the Freedom of Information Act 2000. Although the Council undertook the specific actions required by the

Information Commissioner, we have not seen evidence that the Council has considered the findings of the Information Commissioner as a whole and established the actions needed to minimise the risk of non-compliance with the Freedom of Information Act 2000 going forward.

***R9 & R10: We recommend that the Council should:***

- ***undertake a review of its arrangements for handling Freedom of Information requests in light of the findings of the Information Commissioner; and***
- ***agree steps to minimise the risk of non-compliance going forward.***

### **Handling of correspondence**

By its nature, the Council receives correspondence that requires consideration and, as appropriate, decisions and responses. Effective mechanisms for recording, considering and responding to correspondence in a timely way are therefore valuable.

We have identified that the Council has:

- no formal policies or procedures specifically relating to handling of correspondence; and
- no formal schedule for logging incoming correspondence and the handling of that correspondence

The decisions of the Information Commissioner referred to above include findings that the Council failed to respond to Freedom of Information Act requests within the prescribed timetables. Such findings strengthen our view that current arrangements for the handling of correspondence are inadequate.

***R11 & R12: We recommend that the Council should:***

- ***adopt formal policies and procedures for handling of correspondence; and***
- ***maintain a formal schedule for logging incoming correspondence and the handling of that correspondence.***

### **Compliance with the General Data Protection Regulations 2018**

The General Data Protection Regulations 2018 require the Council to place a privacy notice on its website. We have identified that it has not done so.

***R13: We recommend that the Council prepares and places on its website a privacy notice.***

### **Preparation of the Annual Governance and Accountability Return (AGAR)**

The Council has a duty to prepare an AGAR, including an Annual Governance Statement. The Annual Governance Statement comprises a series of assertions about the Council's system of internal control, including in relation to the arrangements for preparing its accounting statements. To each assertion, the Council is required to respond 'Yes' or 'No'. In the case of 'No' responses, the Council is required to describe how the weakness will be addressed.

The Annual Governance Statement is an important means by which the Council demonstrates its accountability for the proper management of public funds. It is therefore important that the Council has a robust process for preparing the Annual Governance Statement, including that it has sufficient evidence before answering 'Yes' to a question.

We have found that no such system was in operation at the Council and the Council cannot demonstrate that it had considered appropriate evidence before preparing its Annual Governance Statements. Indeed, the matters identified in this report would call into question whether it was appropriate to answer 'Yes' to some of the assertions.

***R14: We recommend that the Council adopts a structured and documented approach to the completion of its Annual Governance Statement.***

## Action in respect of previous audit recommendations

The Council has both external and internal auditors. Those auditors may make recommendations to improve the internal control and governance of the Council. Effective arrangements for considering and responding to such recommendations are important components of the Council's governance.

The Council has previously received recommendations from its external auditor. In January 2017 the Council adopted an action plan in response to the auditor's report on its 2014/15 Annual Return. In January 2018 the Council adopted an action plan in response to the auditor's report on its 2015/16 Annual Return.

However, we are concerned that:

- the action plans did not include clear future actions with dates for completion and responsibilities for implementation; and
- progress in respect of the action plans was not routinely reported to subsequent meetings of the Council.

### ***R15 & R16: We recommend that the Council:***

- ***prepares action plans in response to this report, including clear actions with dates for completion and responsibilities for implementation; and***
- ***receives reports on progress in implementation of recommendations at each Council meeting until all agreed recommendations have been implemented.***

## Implementing change

We recognise that implementation of necessary change can be demanding, particularly for a small organisation without significant internal resources.

***R17: We recommend that the Council seeks assistance, possibly from the Yorkshire Local Councils Associations, in implementing the recommendations contained in this Public Interest Report.***

## Next steps

In accordance with paragraphs 4, 5, 8 and 9 of Schedule 7 of the Local Audit and Accountability Act 2014, the Council must:

- publish this report and a notice stating the subject matter of the report and stating that members of the public may inspect the report and make a copy of all or any part of it between the times and at the place(s) specified in the notice. The notice must be published on the Council's website;
- send a copy of the report to each of its Members;
- allow members of the public to inspect the report at all reasonable times without payment;
- allow members of the public to make a copy of the report or any part of it;
- supply members of the public with the report or any part of it on payment of a reasonable sum;
- consider this report at a meeting within one month of today's date, unless we are satisfied that there are reasonable grounds to extend that period;
- at least eight clear days before the meeting to consider the report, publish on its website a notice stating the time and place of the meeting at which the report is to be considered, stating that the meeting will consider the report and describing the subject matter of the report;
- supply a copy of this report with the agenda for the meeting considering the report;

- not treat this report as exempt information;
- as soon as reasonably practicable after the meeting, notify us of the decisions made in response to the report; and
- as soon as reasonably practicable after the meeting, publish on its website a notice, approved by us, summarising those decisions.

We have a duty to send a copy of this report to the Secretary of State and the power to send a copy to anybody we think appropriate.

Yours sincerely

Handwritten signature in black ink, appearing to read 'PKF Littlejohn LLP'.

PKF Littlejohn LLP

cc Smaller Authorities' Audit Appointments Ltd  
Public Sector Audit Appointments  
Secretary of State – Department for Levelling Up, Housing and Communities  
Monitoring Officer – Hambleton District Council  
Yorkshire Local Councils Associations  
The objector