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| **Northants CALC** | **IAS** |

**Internal Audit Report**

(to be read in conjunction with the Annual Governance and Accountability Return)

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| Name of council: | Middleton Cheney Parish Council | | |
| Name of Internal Auditor: | John Marshall | Date of report: | 08.06.22 |
| Year ending: | 31 March 2022 | Date audit carried out: | 30.05.22,  01 & 07.06.22 |

*Internal audit is the periodic independent review of a council’s internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council’s control. It is important to note that managing the council’s internal controls is a day-to-day function of the council through its staff and councillors and it would be incorrect to view internal audit as the detailed inspection of all records and transactions of the council in order to detect error or fraud. This report is based on the evidence made available to and seen by me.* ***The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.***

**To the Chairman of the Council:**

The council is currently without a clerk and I carried out the year-end audit via ‘phone and email correspondence with various elected members who have been designated to deliver the year-end procedures including preparation of the 2021-22 Annual Governance and Accountability Return (AGAR); I would take this opportunity to thank them for their co-operation and assistance in delivering the council’s internal audit.   
  
During the course of the audit, I examined the publicly available information displayed on the council’s website including the council’s policies, procedures, agendas, minutes, financial and other records. I firstly sought evidence to confirm that the previous year’s internal and external audit reports had been properly reported to and where necessary acted upon by the Council. I noted minutes (21/761 and 21/762 of the meeting of   
26 April 2021) confirming that the internal audit reported had been received together with an indication of proposed actions to be taken in respect of the issues identified by me. I also noted that the external auditor issued an interim Certificate dated   
26 September 2021, due to being unable to complete the audit by the statutory date, a situation that still pertains at the time of preparation of this report.   
  
I examined the council’s arrangements for the management and control of its business in the areas of bookkeeping, due process (ie compliance with the proper practices as set out in the Practitioners’ Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control and year-end procedures and compliance with the requirements for the display of information including the exercise of public rights. Where necessary, I requested and was provided with supplementary evidence to enable me to reach a conclusion regarding the enquiries I am required to make as set out in the Annual Internal Audit Report (AIAR) that forms part of the AGAR.

I am aware of the difficulties the council has experienced over the last 12 months and the consequent structural and organisational disruption that ensued and that continues at the time of this report. This includes effectively being without the services of a Clerk and RFO for, I am told approximately 6 months. In those circumstances, it is perhaps not surprising that based on my review of the publicly available information displayed on the website and my discussions, due to either insufficient or a lack of evidence I have been unable to confirm that the standard achieved throughout the financial year was adequate to meet the council’s needs in respect of the specific internal control objectives set out in the AIAR and consequently have answered ‘no’ to 6 of the objectives. In these circumstances, I am required to provide further explanatory commentary as follows;

***A. Appropriate accounting records have been properly kept throughout the financial year. No.***The details of receipts, payments and bank balances appear to have been reported at very few meetings of the council; rather more meetings contain a minute recording that payments (without details of the individual payees) were approved. I noted just one meeting (in August 2021) where minute 21/918 records the proper processes for approval of payments were applied; otherwise the process was erratic.   
  ***B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for. No.***There is no evidence of the application of internal controls and quarterly checks as per reg 2.2 of the council’s Financial Regulations although an Internal Controls procedure and Internal Monitoring proforma (version 6) last updated on 01/06/2020 appears on the website. The council uses variable amount direct debits (VADD) but there is no evidence of compliance with the requirement for (at least) two yearly review and confirmation of the current VADD, important because the council uses VADD for classes of payee wider than those permitted under reg 6.7. The accounting system indicates that VAT was properly identified and recovered during the year. ***C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. No.***The website shows Risk Assessments adopted in May 2022 and March 2021, neither of which relate to this audit year. Whilst there is mention in the minutes, on a couple of occasions of the council’s risk assessment either needing or being updated, there is no evidence of the formal review and (re)adoption of the risk assessment taking place.  ***H. Asset and investments registers were complete and accurate and properly maintained. No.***The only Asset Register that appears on the website dates from 13 April 2020 and records an asset value of £375,560. This does not accord with the value of £379,730 in the revised section 2 of the 2020/21 AGAR submitted to the External Auditor and I cannot locate any discussion or underpinning information or resolution by the council relating to this value.

***I. Periodic bank account reconciliations were properly carried out during the year. No.***There are no recorded details, either in minutes or elsewhere of bank reconciliations being routinely carried out and thus no evidence of independent scrutiny and sign-off by members. The meeting of 19 May records, in detail at minute 21/792 that quarterly checks will be reinstated (see also comment at B above) but there is no evidence of these being 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. No.***

Minute 21/934 of the council meeting of 15 November 2021 records a discussion of financial data and the information from the council’s accounting system that informed that discussion are posted on the ‘finance and audit’ section of the ‘documents’ area of the website. The minute records

“*It was agreed to have a Finance Working Group meeting to review to discuss and gain a better understanding of financial matters relating to the information already circulated”*It further records that a meeting of the FWG was agreed for 22 November but neither an agenda nor minutes of that meeting are available; minute 21/952 of the 20 December council meeting does however provide some abbreviated feedback, presumably from the FWG meeting. Apart from the budget and precept setting, this appears to be the only management and oversight of the accounting records during the audit year.

I would also make an observation regarding the frequent use during the course of the year of ‘closed’ meetings for some items of confidential business. Because the default position is that meetings are open to the press and public, a meeting can only be closed and the press and public legally excluded after the council passes a resolution to that effect. It is also the case that it is the business that is confidential, not the minute and there should always be a brief minute that records the outcome. Of the many occasions when meetings were closed I noted that the proper procedure was followed just once, in December 2021.   
  
This report is based on the evidence made available to me. It is important to note that managing the council’s internal controls is a day-to-day function of the council through its staff and councillors; it would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. Consequently, the report is limited to those matters set out above.

In conclusion, through my engagement with the current members, including ex councillors who have chosen to return to the council, I sense a mood of frustration with the situation in which the council currently finds itself. I empathise, because all the evidence points to the council having much of what it needs by way of policies, processes and procedures that, if properly utilised and implemented would deliver acceptable standards of governance and compliance with the ‘proper practices’ that the council has achieved in the past. I note a mood of determination amongst the members with whom I have engaged to recover the situation and a will to regain that position.

John Marshall, CiLCA

Internal Auditor to the Council

07505 139832

The figures submitted in the Annual Return are:

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|  | **Year ending 31 March 2021** | **Year ending 31 March 2022** |
| 1. Balances brought forward | 288,322 | 300,067 |
| 1. Annual precept | 130,757 | 159,680 |
| 1. Total other receipts | 43,507 | 7,015 |
| 1. Staff costs | 59,908 | 52,596 |
| 1. Loan interest/capital repayments | 0 | 0 |
| 1. Total other payments | 102,611 | 61,053 |
| 1. Balances carried forward | 300,067 | 353,113 |
| 1. Total cash and investments | 300,067 | 353,113 |
| 1. Total fixed assets and long term assets | 483,442 | 483,332 |
| 1. Total borrowings | 0 | 0 |

The proper practices referred to in Accounts and Audit Regulations 2015 are set out in the current version of the *Practitioners’ Guide* available for free download from this page:

https://www.pkf-littlejohn.com/services-limited-assurance-regime-useful-documents-and-links