

Internal Audit Report

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

Name of council:	Middleton Cheney Parish Council		
Name of Internal Auditor:	John Marshall	Date of report:	17.05.2023
Year ending:	31 March 2023	Date audit carried out:	17.05.2023

*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:

I met with Pip Davis, Clerk & RFO on 17 May to conduct the year-end internal audit. I would thank Pip for her assistance in carrying out the audit.

Prior to our meeting, 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 sought evidence that the previous year's Internal and External Audit reports had been properly reported to and where necessary acted upon by the Council. I then 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 including the display of information and 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 council's Annual Governance and Accountability Return (AGAR). This supplementary information was obtained through inspection of documents and questioning at the audit meeting.

I referred in my previous year's report to the difficulties the council experienced during audit year 2021-22 that gave rise to considerable structural and organisational disruption. These difficulties continued into the current audit year although the council was fortunate to secure the services of Pip Davis from August 2022. It is greatly to Pip's credit that she has correctly identified those areas and aspects of the council's business that fell short of the required standards and then, working with engaged councillors, started to deliver and implement the necessary changes and improvements, work that is continuing. It is unfortunate that her arrival came part way through the year because, perhaps unsurprisingly, my review of the publicly available information displayed on the website and discussions have revealed that the required standards were not achieved throughout the financial year and as such were not adequate to meet the council's needs in respect of some of the specific internal control objectives set out in the AIAR. Consequently I have

answered 'no' to 6 of the objectives. In these circumstances, I am required to provide further explanatory commentary as follows;

B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved; VAT was appropriately accounted for. No.

The checks required by reg 2.2 of the council's Financial Regulations were again erratic this year with just 2 meaningful checks and reports being delivered.

D. The precept or rates requirements resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate. No.

The budget and precepting process was adequate but there was little or no evidence of progress against budget monitoring through the year. Some of the earmarked reserves are historic and out of date; at the year-end, the level of general reserves was slightly above the level of precept set, with no clear rationale for this. The reserves are overdue a review and the rationale for the sums held should be justified and published as recommended in the Practitioners' Guide (2023) para 5.31.

A. Appropriate accounting records...properly kept throughout ... the year. No.

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.

Some of the accounting statements prepared during the first 4 months of the year contained estimated values; this was apparently due to invoices not being available. I am satisfied that going forward from August, proper and accurate accounting systems are in place.

M. Correct provision for the exercise of public rights. No.

There was a delay in the External Auditor delivering its Certification for the 2021/22 AGAR and I was advised by the Clerk that the External Auditor, in an email to the council dated 30/03/2023 has instructed the council to answer 'no' to to Assertion 4 in section 1 of the 2022/23 AGAR. Accordingly, I have answered 'no' to this question.

N. The authority complied with the publication requirements for 2021/22 AGAR. No.

None of the information required to be displayed was available at the time of or immediately before the audit. I have been advised that this had been removed from the website as part of an overhaul and restructuring of the financial and audit information and I have no reason to doubt the veracity of that assurance, but the council understands that I am duty bound to report the situation as I find it.

In conclusion, it is apparent that the council, together with its diligent Clerk has worked hard to restore appropriate standards of governance and compliance with statutory requirements. My comments above indicate that there is more work to be done and I would urge all concerned to focus on the council's core business and delivering the requirements of the 'proper practices'* as set out in sections 1 and 2 of The Practitioners' Guide 2023. Notwithstanding the exceptions set out above, based on the information made available to me I am satisfied that in all significant respects, the remaining internal control objectives are being delivered and achieved to a standard adequate to meet the council's needs. Accordingly, I have completed and signed the Annual Internal Audit Report as required.

John Marshall, CiLCA
Internal Auditor to the Council
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The figures submitted in the Annual Return are:

	Year ending 31 March 2022	Year ending 31 March 2023
1. Balances brought forward	300,067	353,113
2. Annual precept	159,680	136,680
3. Total other receipts	7,015	24,846
4. Staff costs	52,596	38,007
5. Loan interest/capital repayments	0	0
6. Total other payments	61,053	144,051
7. Balances carried forward	353,113	332,581
8. Total cash and investments	353,113	332,581
9. Total fixed assets and long term assets	483,332	455,311
10. 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>