

Annual Internal Audit Report

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

Name of council:	Wicken Parish Council		
Name of Internal Auditor:	John Marshall	Date of report:	12.05.20
Year ending:	31 March 2020	Date audit carried out:	12.05.20

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 a council in order to detect error or fraud. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.

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:

Due to the Covid-19 pandemic and as a consequence of the legal distancing restrictions imposed by the UK government I carried out the audit remotely, by e-mail and telephone on 11 May. I would thank Valda Clapham, Clerk and RFO for her co-operation and assistance in delivering the audit.

I firstly sought evidence that the previous year's reports from Internal and External Auditors had been properly reported to and actioned by the Council. In the main, they had, but it is disappointing to note that there was no evidence, until March 2020 of internal control checks having been carried out during the course of the year, the third year running that I have reported this failing. I shall return to this issue later in my report.

I then examined the Council's arrangements for the management and control of its business in the areas of book keeping, 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. This was achieved through examination of the publically available information displayed on the Council's website - policies, procedures, agendas, minutes, financial and other records - and 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 Annual Governance and Accountability Return (AGAR). This supplementary information was provided in the form of written answers to the questions raised together with scanned documents, including the Accounting Statements, section 2 of the AGAR and in discussion on the 'phone on 11 and 12 May.

At this juncture, I acknowledge and appreciate that the council operated without a Clerk / Responsible Financial Officer in post for the first half of the audit year. During that time, it is apparent from the evidence (or lack of evidence) that the council's compliance with the proper practices* in the areas of governance and financial management was at times

non-existent and at best, variable. It is also apparent that since the arrival of the new Clerk / RFO, through her efforts the situation is improving. That said, I would draw your attention to the following audit issues and / or matters of non-compliance with regulatory and other requirements;

- there was no reclaim of VAT made during the course of the audit year. I understand that a claim will be made once the street lighting replacement project is completed but it is good practice (and HMRC encourage) to reclaim regularly.
- it appears from the minutes of the October extra-ordinary and November 2019 meetings that the order to procure the replacement street lighting was not the subject of a competitive tender. I also understand that this decision was based on the works being (incorrectly) deemed a repair, so subject to your Financial Regulations, reg 11.1a) iii. The council's funds are classed as public money and as such must be managed and used in accordance with legal requirements; a procurement exercise is governed by section 135 of the Local Government Act 1972, commentary and explanation of which is set out in the National Association of Local Councils (NALC) Legal Topic Note LTN 87.
- I note that 'AOB' appears in the minutes as a standing item, although it is not so described in the agenda. The only business that can legally be transacted at a meeting is that specified in the Agenda, published 3 clear working days beforehand so whilst I was assured that no decisions are taken by the council on business raised under this item, for reasons of clarity and transparency, a better title is 'Urgent business, for report only' or 'Items for the next meeting'.
- Minute 13/20 of the January 2020 meeting records the council resolving, at that meeting to co-opt a member, to fill a vacancy created by the immediate departure of another member (Cllr Forman) notified at that meeting. Notwithstanding the fact that this item was not included in the Agenda for the meeting, this co-option was and is illegal. There is a legal procedure that has to be followed when a vacancy arises mid-term, that commences with the need to notify the vacancy to Electoral Services at South Northants Council. Whilst the co-option that took place might well be the ultimate outcome, it was not within the gift of the council at that stage.
- as mentioned earlier I noted that no internal controls checks were carried out until March 2020. The council's Financial Regulations clearly set out the requirements for financial reporting but there is no formalised procedure in place; compliance with this requirement is now long overdue. A robust system of internal control does not have to be 'heavy handed' but it should include explicit evidence of regular (at least quarterly) monitoring by the appointed Internal Controls Councillor of all aspects and elements of the financial management systems ie from invoices, through the cash book to the approval of payments at meetings and bank statements. This provides not only protection for all parties ie Clerk and Councillors but also an assurance to the residents and the wider community that public money is properly safeguarded and accounted for.
- I believe that as evidenced by the minutes, the importance of members declaring and not taking part in items of business in which they have an interest is well understood. It follows that a member should not be involved in any part of the payment process for any invoice submitted by him or her. I should say that this, in no way implies that there is, or has been a problem with the financial management at this council, it simply serves to emphasise the importance of complying with the council's Financial Regulations and the proper practices*.
- the council's turnover for this audit year, being less than £25,000 entitles it to submit the Certificate of Exemption and I understood that the council intends to do so. It is important to note that exemption is just from External Audit, not the audit process and that the *quid pro quo* for doing so is that the council complies with the Transparency Code for Smaller Authorities by posting the prescribed information on its website.

- I note that the Clerk has opted not to take a salary. This is highly unusual and in the circumstances, I strongly recommend that the council include an appropriate sum both in its budget and as part of its ring-fenced reserves, to recognise the future financial commitment.

This report is based on the evidence made available to me and consequently the report is limited to those matters set out above. Through examination of hard evidence and questioning, I confirm that I tested all the aspects of the Council's internal controls that I am required to consider and I have completed and signed off the Annual Internal Audit Report at page 3 of the AGAR as required.

John Marshall
Internal Auditor to the Council
07505 139832
wjm.marshall1@gmail.com

The figures submitted in the Annual Return are:

	Year ending 31 March 2019	Year ending 31 March 2020
1. Balances brought forward	26342	26342
2. Annual precept	7480	7480
3. Total other receipts	41574	15595
4. Staff costs	1999	204
5. Loan interest/capital repayments	0	0
6. Total other payments	55992	9207
7. Balances carried forward	17405	31069
8. Total cash and investments	17405	31069
9. Total fixed assets and long term assets	54107	54692
10. Total borrowings	0	0

* The proper practices referred to in Accounts and Audit Regulations 2015 are set out in *Governance and Accountability for Smaller Authorities in England (March 2019), A Practitioners' Guide*. Please note that sections 1 & 2 constitute the 'proper practices' that smaller authorities must follow and sets out the appropriate standard of financial reporting. Please note this version applies for 2019/20, however Governance & Accountability for Smaller Authorities in England (March 2020) is available for early adoption. The Joint Panel on Accounting & Governance (JPAG) has only clarified proper practices - there have been no material changes. A copy of the guide is available for free download from this page:

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