

## Internal Audit Report

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

|                           |                                 |                         |            |
|---------------------------|---------------------------------|-------------------------|------------|
| Name of council:          | Little Addington Parish Council |                         |            |
| Name of Internal Auditor: | J Hodgson                       | Date of report:         | 05/05/2019 |
| Year ending:              | 31 March 2019                   | Date audit carried out: | 03/05/2019 |

*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. Managing the council's internal controls should be a day-to-day function of the staff and management and not left for internal audit.*

***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 have attached, for your information, a copy of the Terms of Reference for the Internal Audit Service, to provide you with an understanding of the scope within which this internal audit has been undertaken.

The Annual Governance and Accountability Return (AGAR) is a statement concerning proper practises as required by statute.

As part of my audit I examined the book keeping, due process, risk assessment, asset control, bank reconciliations and year end processes through documentation available on your website, records held by the Clerk and discussions and questions.

I am not satisfied that the Council has undertaken an appropriate financial risk assessment with regard to the fire work display. I am concerned that individual councillors have committed the Council to expenditure. Councils can only act in a manner permitted by legislation and the Local Government Act 1972 s101 permits delegation to the Clerk or committees (with appropriate terms of reference) , not members. I can find no evidence that a committee has been appointed by the Council, nor authority delegated to the Clerk. Such delegation should be recorded in the Minutes.

Councillor/s appear to have committed the Council to a significant purchase of fireworks on the expectation that the cost will be subsequently covered by donation or receipts on the night. This could be challenged as unlawful through the courts and those responsible could be held personally liable and be required to reimburse the Council.

Councils are required to publish their intention to commit to spending via the agenda to allow the electorate the opportunity to object.

I am concerned that the Council has gone against the advice of the Clerk and rejected the budget presented. The Council's reserves are less than 50% of its precept and is operating

on very narrow margins that would be severely compromised in the event of a contested election, failure to receive the expected donations towards the fire works or other significant event.

I strongly recommend that the Clerk contact the Charity Commission to determine if a copy of the governing document for the Reading Room Charity can be obtained. This is to prove that the funds are being used for permitted purposes. I note that returns are made to Charity Commission.

I note that a new system of internal control has been implemented which is to be commended. I would add that it is best practice for the person signing the cheques to initial/sign the supporting invoice and the cheque stub to provide a full audit trail.

It is not appropriate for persons co-opted at a meeting to then act as a councillor at that meeting. They have not been summoned and have not had the statutory notice of the meeting to enable them to prepare. Newly appointed councillors should ideally have a period of grace to be briefed on such matters as the Code of Conduct, Standing Orders and other such matters before acting as a member of the Council.

I have noted that the Complaints Policy, Grants Policy and the Freedom of Information Act publication schedule require updating. The Grants Policy in particular has a number of items requiring correction.

Whilst the website met the requirements of the Transparency Code in 2017/18, some types of information are duplicated in different parts of the website and the website would benefit from work to make information more accessible and more transparent in the spirit of the legislation.

The Proper Officer and Responsible Financial Officer are roles specified in law (Local Government Act 1972) and are usually undertaken by the Clerk. Small councils such as Little Addington have to meet the same statutory obligations as larger councils. It is apparent from the Council records that the Clerk is not being adequately supported in the role. The Council should recognise that additional work generated by a Public Works Loan Board application, street light upgrade project, resolving issues with a bank, GDPR etc represent tasks over and above the normal responsibilities and will require a greater number of working hours. The Council has a duty as an employer to appropriately address this issue, either through agreeing to pay for additional hours or where permissible, councillors take on a more active role and do some of the tasks. The suggestion that the council does not have sufficient funds to pay for additional hours means that the council has not budgeted adequately and is not maintaining an effective level of general reserves.

For the reasons stated above I have endorsed the AGAR Internal Control sections C and D as 'no' and directed the External Auditors to this report.

This report is based on the evidence made available to me. 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.

Yours sincerely,

*J Hodgson*

Ms Jenny Hodgson  
Internal Auditor to the Council  
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The figures submitted in the Annual Governance and Accountability Return are:

|  | <b>Year ending<br/>31 March 2018</b> | <b>Year ending<br/>31 March 2019</b> |
|--|--------------------------------------|--------------------------------------|
| 1. Balances brought forward                | 8302                                 | 5522                                 |
| 2. Annual precept                          | 10000                                | 11330                                |
| 3. Total other receipts                    | 1447                                 | 14988                                |
| 4. Staff costs                             | 4623                                 | 4436                                 |
| 5. Loan interest/capital repayments        | 0                                    | 471                                  |
| 6. Total other payments                    | 10604                                | 21077                                |
| 7. Balances carried forward                | 5522                                 | 5856                                 |
| 8. Total cash and investments              | 5522                                 | 5856                                 |
| 9. Total fixed assets and long-term assets | 25780                                | 35080                                |
| 10. Total borrowings                       | 0                                    | 8029                                 |

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2019)*. It is a guide to the accounting practices to be followed by local councils and it sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

<https://www.northantscalc.com/uploads/practitioners-guide-2019.pdf>