

**Internal Audit Report**

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

Name of council:	Culworth Parish Council		
Name of Internal Auditor:	Gill Wells	Date of report:	26 <sup>th</sup> July 2024
Year ending:	31 March 2024	Date audit carried out:	24 <sup>th</sup> July 2024

*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 council through its staff and management and not left for internal audit. 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:**

The internal audit is a requirement of the auditing process and is a measure of the Council's governance and financial management throughout a defined period. The report must, therefore, be reviewed and considered by the Council and reported as having been received and comments / advice / concerns contained within it understood with an agreement to act upon such information approved by the Council.

The internal audit should be received and reviewed by the Council prior to the Council receiving and approving the Annual Governance & Accountability Report (AGAR). The details and processes are clearly defined on the AGAR and it is imperative that the processes are followed and understood by the Responsible Financial Officer and Council when completing the audit.

Given the issues with the audit processes including delays and the external audit conclusion report for the period ending 31<sup>st</sup> March 2022-2023, and the delays in the internal audit taking place for the period 2023-2024 which I was advised were due to reconciliation issues for the period 2023-2024, as the internal auditor I have undertaken a very detailed review of the Council's activities and I would like to thank your Clerk, Gary Denby for their time and involvement in the process. It is hoped and anticipated that the following detailed report will

assist the Council and Clerk progress further and improve in any areas where it is necessary to do so to ensure robust governance and financial procedures ensue. Issues to report include the following:-

1. The Council is an employer and therefore, the Council, and not the employee, is responsible for ensuring a contract of employment is in place before or on the day the incumbent commences employment. The failure to issue a contract from June 2023 until it was finally issued in February 2024 could have put the Council at risk as it would be unable to prove the existence of certain terms and conditions.
2. The Council appears not be registered with HMRC and the Clerk informs me that this is a work in progress – it is as requirement that, as an employer, the Council meet these requirements and reports employees salaries including overtime accrued and paid in the correct accounting period, not least as it could appear the Council and or staff member are not carrying out their responsibilities for duplicitous reasons. I would strongly suggest the Council engage an independent payroll manager to minimise risk and potential challenges of malpractice to employer and employee.
3. The employer should ensure that reviews of the employees hours, remuneration and tasks are sufficient to carry out the work of the Council efficiently. It is very evident when reading the minutes of the Council that priority has not been given to the areas where most needed i.e ensuring the accounts are up to date / reconciled in a timely fashion; HR issues being managed appropriately; governance documents being prepared, reviewed and approved. There are too many instances within the minutes of items being 'carried forwards' often for months and or are still not resolved.
4. The Finance Committee Terms of Reference – if the Council wishes to delegate responsibility to a Committee the Council should approve a Terms of Reference for that Committee in which it outlines clearly the roles, responsibilities and tasks of that Committee – this should align with Standing Orders and Financial Regulations. There are some matters which cannot be delegated to anything other than Full Council.
5. The website would benefit from modernising – it is not up to date and omits some statutory documentation which, again, should be a priority for the Clerk to upload e.g. Councillors Declarations of Interest must be published on the Council's website.
6. During my discussions with the Clerk it became apparent that a thorough handover of details and history had perhaps not been completed / imparted sufficiently and the Clerk was unsure what the Council's legal responsibilities and ownership or leasehold position was with regard some areas of land / buildings. I would suggest the Council at least carry out an audit of assets and facilities, including land, and record this formally. Moreover, that any documentation pertaining to lands owned or leases be located and forwarded to the Clerk for retention in a safe and secure (ie locked fire proof filing cabinet) and a copy kept on file electronically so that the Council has a record of where this information is should it be required. There was reference to the football field in the minutes and it being returned to the new owners – there was limited information / discussion within the formal documentation and a lack of clarity of decisions pertaining to this decision e.g. did the Council hold a lease on the land?; had the lease expired?; were the Council offered the opportunity to purchase the land?; where did the Council formally agree it could not / should not pursue purchase of the land?. Members' of the Public should at least be afforded the opportunity to attend or read and understand the position with regard such decisions and or be allowed to express an opinion on the matter to avoid challenges from the public.
7. I was pleased to see that the Council / Clerk continuously reported and discussed very real and apparent risks associated with facilities and ensured that a robust review of insurance was undertaken during the year and reported in the minutes.
8. Burial grounds – as the burial authority the Council must ensure that:- the correct procedures are carried out in accordance with the law including retaining and ensuring burial registers are completed correctly and are up to date as these are legal documents; cemetery regulations and fees are adopted, up to date and published; burial certificates are being issued correctly; green slips are being

- returned to the Registrar; and the burial plan is up to date and backed up. Business rates exemptions should be correctly applied.
9. It is recorded that the Council approved the accounts / statements / certificates on more than one occasion for the period 2022-2023 and at one point the Council approved an exemption certificate although this was not applicable. It is important that the Council, who are custodians of public money and make decisions on behalf of the parish they serve, understand what they are approving and signing – the Council are accountable and, if necessary, resources / training are available to Councillors and employees engaged to prepare the accounts and documents on the Council's behalf i.e. the Responsible Financial Officer.
  10. Invoices listed as requiring payment on the minutes must be accompanied by the relevant legislative power or duty as the Council does not hold the General Power of Competence. By listing the power / duty alongside the payment it indicates to the general public that the Council has not acted ultra vires by exceeding its authority by spending public money on items it has no power to do so. I note that statutory powers and duties are now being evidenced against payments and that this commenced in the last few months and I would ask that the Clerk continue to do so.
  11. The item 'Councillors Comments' appears to be a form of Any Other Business – it is unlawful to discuss anything and or make decisions at a meeting if it is not itemised on the agenda. There are a number of occasions when the Councillors discussed items under this item and were bordering on appearing to make decisions and or pre-conceiving decisions that would be made in the future. Similarly, under 'Public Concerns' no decisions should be made unless specified on the agenda – there were some occasions where sums of money were approved for expenditure e.g. towards a summer BBQ. I have discussed tightening these procedures up with your Clerk and ensuring that public participation, which is a privilege and not a right, is clearly defined in Standing Orders and managed appropriately as this removes the risk of decisions being made or conceived as being resolved when not on the agenda.
  12. The Council has correctly adopted financial regulations and I would urge the Council and Clerk to be conversant with the contents of the regulations, for example, the publication of the Clerks Salary and data protection.
  13. VAT – I noted that it has been reported that there are substantial sums of VAT monies not yet reclaimed. It is important that Council's regularly reclaim these funds not least because it could impact the budget and precept required. For example, if the Council is due monies this should be reflected in the anticipated end of year balance and consequently may impact the precept demand. A large sum of VAT reclaim is due to works / sums expended on the Cricket Grounds. As the Council does not own the Cricket Grounds or the pavilion I would suggest, as a matter of urgency, the Council clarify the position as to whether the Council can reclaim the VAT incurred on the expenditure on the Cricket Grounds for reassurance and clarity. I am not a VAT / Tax expert.
  14. The Clerk and I discussed long and short term investments and I explained the difference and how, if the existing account was re-invested after the initial period of a year it may then be considered a long term investment and would need to be recorded / reported accordingly. This was for future reference.
  15. I was pleased to see that the Council received and considered in detail the budget for 2024-2025 and that it was published for public transparency.
  16. The asset register was attached as an appendix to minutes - good. I would ask that the Council formally approve the asset register in a meeting to ensure Members are cognisant that nothing is amiss / omitted and that it shows an accurate record of land assets and facilities. Moreover, I note the play area and gym equipment has been added on the register to the sum of £75,000 – the asset register should denote the cost of the items and not the cost of the labour; VAT. Please ensure this is the case.
  17. A donation to the Citizens Advice Bureau would be deemed a S137 payment not S142 as reported. It is important that correct powers, particularly S137 payments are recorded and approved correctly as only defined monies can be spent on S137 items.

18. Internal Control is an important element of financial risk management for a Council. Please ensure that a robust process and reporting programme is in place and that Councillors understand their duties with this control mechanism and carry it out regularly and diligently.
19. As mentioned above, the Council should have received the internal audit report prior to approving the Annual Governance and Accountability Report (AGAR) and this is stated on the AGAR itself. It was noted and discussed with the Clerk that a number of the assertions in Section 1 of the AGAR should not have been approved with a 'Yes' assertion by the Council. However, the Clerk has advised that the Council can not and will not now meet until September 2024 and so is unable to revisit and re-consider this statement formally.

Whilst this report is detailed it is important that, given issues with the previous years audits' and the current years delays to the audit process, that this be reflected in the audit report and I hope that the advice and comments within the report help both the Council and the Clerk make some adjustments to ensure the authority is as robust as possible in terms of its governance and financial management moving forwards.

Culworth is clearly a thriving and very active community and has had a lot of projects taking place in the past few years. On this basis I would like to take this opportunity to wish the Council well and I hope that a quieter period will allow the Council to stabilise and enjoy the community improvements it has been instrumental in creating.

Yours sincerely,



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The figures submitted in the Annual Governance and Accountability Return are:

	<b>Year ending 31 March 2023</b>	<b>Year ending 31 March 2024</b>
1. Balances brought forward	31617	42532
2. Annual precept	25000	37000
3. Total other receipts	147592	75341
4. Staff costs	6472	3552
5. Loan interest/capital repayments	0	0
6. Total other payments	155205	103951
7. Balances carried forward	42532	47370
8. Total cash and investments	42532	47370
9. Total fixed assets and long-term assets	30514	106511
10. Total borrowings	0	0

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2024)*. 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/practitioners-guide>