

# **WESTBURY PARISH COUNCIL INTERNAL AUDIT 2016-17**

*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 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 being issued by the External Auditor.***

## **To the Chairman of the Council:**

I met with Cathy Knott, Clerk and RFO on 18 May to carry out the Annual Internal Audit of the Council; I would take this opportunity to thank Cathy for her time and assistance. Last audit year Mazzars, as External Auditor highlighted that the internal audit had been carried out by the Council and drew attention to the requirement for the Internal Auditor to be independent of the Council. To that end, the Council has appointed me as the Internal Auditor and I would confirm that as a CiLCA qualified working clerk to one parish council and an elected member of another separate council, I meet both requirements viz to be independent and competent; note, this requirement is recognised in your Financial Regulations reg 4.5.

No audit issues were raised by the Internal Auditor last year but I identified the following issues this year;

### Governance issues

- the annual meeting of the Council, as distinct from the Annual Parish Meeting was held, incorrectly on 20 April. The annual meeting must be held (in a non-election year) on any day in May (as confirmed by your Standing Orders) and the first item on the Agenda, before any other business is conducted must be the election of the Chairman; again, this is set out in your Standing Orders.
- following election, the Chairman did not, apparently sign a declaration of acceptance of office. Elected members (including co-opted members) must sign a declaration at the time of election or co-option to the Council; thereafter, after each annual election of the Chairman, he or she signs an additional declaration of acceptance of the office of Chairman. The form currently being used for this combined purpose is not appropriate; a suitable proforma has been provided to the Clerk
- the Council routinely uses an agenda heading 'Items of urgent business' and on occasions, items of business including financial matters are transacted. The Agenda must set out the items of business to be transacted in such a way that they can be clearly understood. This is important because the Agenda is the means by which the public is informed of what matters are to be discussed, enabling them to decide whether they wish to make representations; the use of this heading effectively negates that. Furthermore, the Council cannot lawfully decide any item of business that is not on the Agenda.
- the Council also makes relatively frequent use of 'closed meetings' but there appears to be no proper justification for doing so. Meetings of a Council and any Committees are held in public and so are, by default open to the press and public, who can only be excluded if a resolution, put immediately before the item of business from which they will be excluded and specifying the reason for the exclusion is passed at the meeting. It follows that it is not possible to exclude members of the press and public from an entire meeting and once closed, a meeting must be re-opened immediately after the item in question. Reasons for closing a meeting include commercial-in-confidence items such as awarding tenders, or staffing / personnel issues; a meeting cannot be closed for reasons of expediency. It is important to note that it is the *business* that is confidential, not the Minute that records it so at the conclusion of the closed session, a record should be made of the decision eg 'the Council resolved to award the grass cutting contract to XYZ Ltd'.
- the Council's Standing Orders (SO) are significantly at variance with the current NALC model, a template for which is available from your County Association. Adopting the new model SO, that includes the current legal requirements for the conduct of meetings and business will assist the Council to comply with its legal obligations.
- the Asset Register does not contain all the requisite information; guidance on the compilation and maintenance of the Asset Register is set out in paras 5.56 – 5.61 inc of 'Governance and Accountability for Smaller Authorities in England, the Practitioners' Guide (March 2017 edition)\*

## Financial issues

- Minute 116/16 (c) dealing with the budget and precept setting processes does not explicitly record, either as an action or the amount, that a budget was set. It is a legal requirement that the council set a budget so a minute to this effect is always required.
- the Council's Financial Regulations are out of date. The National Association of Local Councils (NALC) has issued new model Financial Regulations that take account of recent legal and technical changes. As with the SO, the Council should adopt the new model Regulations during the course of this year.
- checks being conducted by the Internal Controls Councillor are not being reported to the Council and recorded in the Minutes. This requirement is set out in new model Financial Regulations and once these are in place, the procedure set out in reg 2.1 and 2.2 should be established.
- I noted that no payments to HMRC in respect of tax or NIC were made during the course of the year. HMRC rules setting out the correct income tax and NIC treatment of parish clerks make it clear that as an office holder, the Clerk is subject to PAYE, so cannot be paid gross and tax must be deducted; see para 5.46 of the Practitioners' Guide (March 2017 edition)\*.

In discussion with Cathy, it is clear that confusion arose as a result of her salary being below the threshold at which tax (and NIC) become payable. It is important to state that I do not consider there to have been any deliberate wrong-doing on the part of any individual, however the Council now needs to consider urgently how this (continuing) matter should be resolved; note, the duty to ensure compliance with HMRC rules lies with the Council.

Previous experience of encountering this type of issue shows that using the services of a payroll service provider is beneficial, not only because they are viewed by HMRC as an 'honest broker' in remedying the current irregularity and under-payment, but also going forward, where having salary and deductions calculated and accounted for by a third party rather than the beneficiary is a positive aid to good governance, proper financial management and transparency.

Details of a local payroll service provider used by several parish councils and endorsed by the Northamptonshire CALC has been provided to the Clerk.

Notwithstanding the above mentioned comments and observations, I am satisfied that in the main, effective systems to manage, monitor and control the Council's business are in place. Through examination of hard evidence and questioning, I tested all the aspects of the Council's internal controls that I am required to consider at Section 4 of the Annual Return and have signed the Return as required. Please feel free to contact me should you require further advice or assistance with these or any other matters relating to governance.

**John Marshall, CiLCA**  
**Internal Auditor to the Council**  
**07505 139832**

The proper practices referred to in Accounts and Audit Regulations 2015 are set out in *Governance and Accountability for Smaller Authorities in England (2017)*. It is a guide to the accounting practices to be followed by local councils, and sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from: <http://www.northantscalc.com/uploads/practitioners-guide-2017.pdf>