

Internal Audit Report.

This audit report is to read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return.

Council:	North Thoresby, Grainsby & Waithe Parish Council
Internal Auditor:	Carl Thomas
Year Ending:	31/03/2024
Date of Report	11 th June 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 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.

I have completed a thorough audit of North Thoresby, Grainsby & Waithe Parish Council limited to systems, procedures and financial balancing. I have not undertaken an indepth audit of the accounts but would be happy to do so if required.

From what I have seen I do not consider that such an audit is necessary.

North Thoresby, Grainsby & Waithe Parish Council have been through a turbulent few months with the Clerk and all but one councillor resigning at the end of January 2024. This left the Council unable to function with one remaining councillor. County & District councillors joined temporarily whilst new councillors were elected.

I was asked to undertake the audit initially in April 2024 but was unable to undertake the audit as there was no records available as these had been retained by the former Clerk. Despite many attempts by various authorities to obtain the council records he has failed to return anything which is now a Police matter.

Cllr Lynne Gale was appointed Acting Clerk in the interim and has with assistance from Cllr Goodwin and a locum clerk/RFO, Tony Shaw, re-constructed the 2023/24 accounts and attempted to reconstruct minutes from available website records and video recordings.

This audit is therefore completed on available information which is very limited and not ideal in any circumstances.

PREVIOUS AUDIT

The previous years audit was completed by myself with no matters arising other than recommendations in respect of suggested policy implementation.

This recommendation was not undertaken.

GOVERNANCE

All policies have been reviewed either throughout the year or at recent meetings with Standing Orders and Financial Regulations being reviewed in May 2024.

However, the Standing Orders may need reviewing in light of changes to the procurement levels. The Financial Regulations may also need further reviewing following the release of a new model Financial regulations in April 2024.

The LGA Code of Conduct was re-adopted in May 2024.

Various policies including committee terms of reference, publication scheme and GDPR policies are not available on the website although I understand this is work in progress as many documents have had to be re-created.

The arrangement for the dates of public inspection of records were not legal in that they did not include the first 10 days of July and the notice was posted on 24th July 2023.

Section 3 of the AGAR was not completed, signed off and published by 30th September as queries were raised with the external auditor, PKF Littlejohn. This was signed off on 29th May 2024.

Insurance cover is adequate and in place.

Recommendations:-

- *Consider implementing a Scheme of Delegation.*
- *Review Standing Orders and Financial regulations in light of recent changes.*
- *Ensure the arrangement for public inspection of records is advertised within the stipulated legislation.*
- *Ensure the AGAR documentation is submitted within the guidelines to ensure*

TRANSPARENCY

End of year accounts were not published as there were no records to do so which had to be re-constructed.

The Annual Governance Statement and Internal Audit Report were published by the former Clerk but these were subject to a complaint to the External Auditor, PKF Littlejohn, as they appear to have been amended after approval.

One meeting was called incorrectly as the notice did not name the two councillors who had called the meeting nor was it signed. This meeting being an Extraordinary Meeting held on 24th October 2023.

Four years annual returns are available on the website whereas 5 years should be published.

Signed, approved minutes are not available as the former Clerk has retained these and refusing to hand them back. I understand this is the subject of a Police complaint. Minutes were published on the website but these have been removed and retained as many were potentially libelous and personal information was contained within them. Some minutes have been re-published suitably re-dacted to remove any potentially libelous comments and personal information. In the published minutes I have reviewed the resolutions appear to be consistent with the previously approved minutes.

The Acting Clerk retains copies of Acceptance of Office declarations

Members Interest forms are available via a link to East Lindsey District Council. Only one councillor is presently listed. All councillors members interest forms should be available on the website.

Recommendations:-

- *Ensure risk is re-assessed to adequately safeguard the accounting documentation and council records.*
- *Ensure Members Interest declarations are available either on your website or linked to the district council website.*

ACCOUNTING

In my previous years report I reported that the Council had a “simple, clear spreadsheet used for accounting showing income and payments....which was easy to understand”.

This was dispensed with and a new system introduced which following the mass resignations in January 2024 disappeared. As a result the council were without any accounting records including access to the bank from 31st January until April 2024.

The local Clerk/RFO has re-constructed the accounts using historic bank data and obtaining copy purchase invoices to the point where they now have a full set of accounts which balance with the bank.

I cannot verify therefore whether there has been any internal control through the period under review especially as the minutes simply referred to a payment grid and were so long it created confusion.

Invoices were not presented to full council for examination and during the re-construction approximately £5000 of unpaid and overdue invoices were found.

The former Clerk had been paying his salary via BACS up until December 2022 when he changed the payment to standing order. The payments continued when he and other councillors resigned in January 2024 and continued through to March 2024. The payments were returned when requested to do so but this highlights a serious failing in internal control.

The last VAT claim was submitted in September 2022 with the next return due March 23. No VAT return have been submitted in the period so there is presently outstanding VAT from October 2022.

I have been unable to verify whether payments have been made in accordance with the Financial regulations due to a lack of records. However, it is clear that some payments have been made not in accordance with the Financial Regulations.

A budget had been prepared to substantiate the 2024/25 precept request. However, this budget did not offer any narrative so was somewhat vague.

There is no evidence that reserves have been reviewed during the financial year under review albeit from some records recovered reserves are featured. From this some previous earmarked reserves appear to have been consolidated within general reserves without any discussion of approval with councillors.

There was no budget consultation undertaken in 2021/22 to reach the precept level for 2022/23 with a reliance upon reserves to cover a shortfall between expenses and income. For 2023/24 an excellent and very thorough budget process was undertaken.

Council adopted a no cash policy in Jan/Feb 2023 but this appear to have been ignored with cash being handled throughout the period from hall bookings with inadequate records to verify who has been paid what and how this reconciled with cash payments into the bank.

In addition a penalty has had to be paid to HMRC for late payment of tax/NIC and procedures are been reviewed to ensure that payments are up to date.

A facility to accept card payments was introduced which has not been used.

Recommendations:-

- *Ensure risk is re-assessed to adequately safeguard the accounting documentation and council records.*
- *Re-claim outstanding VAT as soon as possible and ensure future returns are submitted within a reasonable time frame and in accordance with your Financial regulations.*
- *Consider implementing an Internal Control Policy.*
- *Review how payments are approved ensuring that Councillors have sight of invoices they are approving.*
- *Ensure that all payments are made in accordance with the Financial Regulations.*
- *Review your reserves position and ensure these are periodically reviewed.*
- *Re-visit your cash handling policy to ensure that cash is appropriately handled and adequate records are available.*
- *Whilst the budget was adequate more information could have been made available to councillors to justify how figures have been arrived at.*

RISK MANAGEMENT

I cannot be satisfied that there has been no unusual activity within the minutes as there are few available. I have viewed some minutes which have been removed from the public domain as they are potentially libelous and contain personal information. The minutes are long which creates confusion and could hide unusual activity, although I'm not suggesting there has been,

Minutes should be concise and focus on the decisions and resolutions. They should not be verbatim reports of councillors or members of the public.

Insurance has been reviewed and appropriate.

Bank balances are reported to meetings monthly but I cannot verify the accuracy because of a lack of records.

Financial reporting was provided to council on a monthly basis but I cannot verify the accuracy because of a lack of records.

Section 137 payments have been made and reported correctly following the re-construction of the accounts.

The Clerk operates a backup system for files which is appropriate. Historical paper records are held at the Village Hall although recent paperwork had been retained and not returned by the former Clerk.

In view of the problems created when the former Clerk resigned Council may wish to re-consider their risk management policy to avoid a similar occurrence. What is concerning is that concerns were raised by various parties which were ignored by all but one councillor.

Recommendations:-

- *Review your risk management policy as this would appear to have failed. Warnings were being given and red light activated throughout the year which councillors appeared to have ignored. The subsequent resignation of all but one councillor and officers created a non-functional council and whilst you can't safeguard everything something could and should have been done earlier to minimise the disruption.*
- *Minutes need to focus more on the resolution as to verbatim reports. Long minutes can cause confusion, hide irregularities and lead to libellous claims.*

BUDGET

Appropriate budget process completed in setting the precept albeit there was a lack of narrative as to how some of the figures were arrived at.

Reserves adequate but these may need to be reviewed.

Recommendations:-

- *Whilst the budget was adequate more information could have been made available to councillors to justify how figures have been arrived at.*

PAYROLL

This is outsourced to an external agency and there are no areas of concern.

ASSET CONTROL

There appears to be no evidence that the asset register was reviewed and presented to council during the period under review.

I understand that this has been reviewed by the new council.

BANK RECONCILIATIONS

Within the accounting records there appears to be appropriate bank reconciliation although this has not been cross referenced to a bank statement. Bank reconciliations provided at each meeting.

Because of a lack of appropriate records I have been unable to verify the bank reconciliations.

SUMMARY

The Council has been through a difficult year compounded by the former clerk resigning and retaining many, if not all, the current records together with retention of access to the bank and email accounts.

This has now been pretty much resolved and the new councillors have worked hard to reinstate much of what was missing.

Various recommendations have been made through this report but I would emphasise the need to ensure business continuity through risk management. Having said that it would have been very hard in any event to mitigate business interruption when everybody other than one member leaves.

What is clearly worrying is how much damage the former Clerk could have done and warning signals were being given with no action taken. Whilst there must be an element of trust between Officers and Councillors the former Clerk was given too much control, too soon by a new set of inexperienced councillors upon appointment in May 2023.

Training of the new councillors in May 2023 was poor I would encourage all new councillors to undertake some form of training which would certainly help in understanding of the officer and councillor relationship.

Concerns were raised at various levels from various quarters all of which were ignored which compounded the instability.

I am confident from conversations and what I have seen that the present council are well on the way to returning good governance to North Thoresby Parish Council.

I would like to thank Cllr Lynne Gale, Cllr Colin Goodwin and Tony Shaw for their assistance in completion of the internal audit.

Carl Thomas

11th June 2024