

Annual Internal Audit Report

(to be read in conjunction with Section 4 of the Annual Return)

Name of council:	Rothwell Town Council		
Name of Internal Auditor:	John Marshall	Date of report:	22.05.17
Year ending:	31 March 2017	Date audit carried out:	22.05.16

*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:

I met with Carolyn Mackay, Clerk on 22 May to carry out the year-end audit of the Council; I would take this opportunity to thank Carolyn for her time and assistance.

Last year, neither BDO as External Auditor raised nor I identified any audit issues, which is to the Council's credit. That said, in the course of discussion with Carolyn about succession planning for her role, I did identify the following issues;

- the Council can only make a grant in pursuance of its legal powers and it must be certain, before making any grant that the purpose for which the grant is intended is within its remit ie that it is empowered to do so. Section 137 of the Local Governments Act 1972 is frequently used for this purpose but to ensure that councils exercise proper control over this spending, the government annually sets a sum (currently £7.52 per elector) that may be used for this purpose. One of the key requirements is that s.137 expenditure is recorded separately in the accounts; methods of achieving this were discussed with the Clerk and a fuller briefing on s.137 is set out in NALC Legal Topic Note 31, a copy of which has been provided to the Clerk.
- it transpired that the Clerk does not currently have a written contract of employment. The majority of councils use the standard template contract that has been agreed between the National Association of Local Councils (NALC) and the Society of Local Council Clerks (SLCC), a copy of which can be obtained from Northants CALC. A job specification and contract of employment should be available before any future recruitment takes place.
- the Council, on occasions transacts business, the details of which do not appear on the meeting Agenda; this is illegal. 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 Council cannot lawfully decide any item of business that is not on the Agenda.

- furthermore, the Council improperly excludes the press and public from certain items of business, without seemingly proper justification for doing so; a meeting cannot be closed for reasons of expediency. 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. 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. 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, once the meeting has been re-opened a record should be made of the decision eg 'the Council resolved to award the grass cutting contract to XYZ Ltd'. A confidential note – but not a minute – can be kept, if so desired.

Notwithstanding the comments above, through questioning and the examination of hard evidence I tested all of the objectives of the Council's internal controls on which I am required to comment in Section 4 of the Annual Return. I am satisfied that in all significant respects, the objectives of internal control were achieved to an adequate standard throughout the financial year and I have duly completed and signed the Annual Return as required.

John Marshall
Internal Auditor to the Council
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The figures submitted in the Annual Return are:

	Year ending 31 March 2016	Year ending 31 March 2017
1. Balances brought forward	18,175	19,190
2. Annual precept	20,000	30,000
3. Total other receipts	4,862	15,121
4. Staff costs	9,064	8,385
5. Loan interest/capital repayments	0	0
6. Total other payments	14,783	16,557
7. Balances carried forward	19,190	39,369
8. Total cash and investments	19,190	39,369
9. Total fixed assets and long term assets	24,737	24,737
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 (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>