

Internal Audit Report

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

Name of council:	King's Sutton Parish Council		
Name of Internal Auditor:	John Marshall	Date of report:	03.05.2022
Year ending:	31 March 2022	Date audit carried out:	03.05.2022

*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 the council in order to detect error or fraud. This report is based on the evidence made available to and seen by me. **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 Liz Hart, Clerk & RFO on 03 May; I thank Liz for her co-operation and assistance in delivering the council's internal audit.

In preparation for the audit, I had examined the publicly available information displayed on the council's website including the council's policies, procedures, agendas, minutes, financial and other records. Because the legal relaxations concerning meetings were largely removed in May 2021, I particularly reviewed the reversion from virtual to face-to-face meetings to ensure that the council's processes and procedures had been properly re-set. I sought evidence to confirm that the previous year's Internal and External Audit reports had been properly reported to and where necessary acted upon by the Council.

I also examined the council's arrangements for the management and control of its business in the areas of bookkeeping, due process (ie compliance with the proper practices as set out in the Practitioners' Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control and year-end procedures and compliance with the requirements for the display of information including the exercise of public rights.

Where necessary, I requested and was provided with supplementary evidence to enable me to reach a conclusion regarding the enquiries I am required to make as set out in the Annual Internal Audit Report (AIAR) that forms part of the Annual Governance and Accountability Return (AGAR). This supplementary information was provided verbally during my discussion with Liz in the form of answers to the questions raised together with sight of documents.

I noted the following audit issues;

a) the carry forward at the 31 March 2022 is shown in box 7 of the accounting statements as £219,180. The earmarked reserves stand at £162,160, leaving a general reserve of £57,020. Whilst the purpose of each earmark is declared, for some items the annual

contribution and the total sum held suggest an aspirational rather than a realistic project. Examples include 'lighting renewals' where the current sum held (£10,500) and the rate of saving (£500) represents minimal expenditure on a very small number of lights and 'war memorial' (£415, with £0 contribution last year). Furthermore, some earmarks are for repairs and maintenance works and as such, should be included in the annual budget rather than held as a small, earmarked reserve; examples include tree surgery, cemetery rose garden and bus shelter repairs.

Guidance on reserves is set out in The Practitioners' Guide paras 5.30 - 5.38; earmarked reserves are specifically covered in the latter 2 paragraphs. Para 5.38 emphasises that earmarked reserves 'must be held for genuine and identifiable purposes and projects.' Para 5.31 indicates that the council should regularly review and justify the reserves it holds to ensure they meet the requirements of day-to-day operations and future plans as well as meeting the criteria for earmarking as set out in para 5.38. The review should take place at least annually, ideally to coincide with the budget and precept setting.

b) the clerk regularly incurs expenditure on behalf of the council, using her own funds. The current NALC Model Financial Regulations, reg.6.20 states that 'Personal credit or debit cards of members or staff shall not be used under any circumstances' but that prohibition does not appear in the council's adopted Financial Regulations. Regs 6.18 - 6.20 of the Model Regulations specifically permit the provision and use of a corporate credit and / or debit card. It is not known why the council's adopted Regulations diverge from the Model Regulations but in the absence of any justification or credible explanation for the omission and to address this issue, I would urge the council to either adopt the model wording or introduce an equal or better alternative.

Notwithstanding the above, the council and its diligent clerk have maintained sound standards of governance this year. I am pleased to be able to report that having tested all the aspects of the council's internal controls that I am required to consider, based on the information made available to me I am satisfied that in all significant respects, the internal control objectives were achieved throughout the financial year to a standard adequate to meet the council's needs. Accordingly, I have completed and signed off the Annual Internal Audit Report as required.

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

	Year ending 31 March 2021	Year ending 31 March 2022
1. Balances brought forward	224,595	224,604
2. Annual precept	70,143	71,694
3. Total other receipts	9,258	32,113
4. Staff costs	16,798	19,785
5. Loan interest/capital repayments	0	0
6. Total other payments	62,594	89,446
7. Balances carried forward	224,604	219,180
8. Total cash and investments	224,604	219,180
9. Total fixed assets and long term assets	240,208	244,045
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, A Practitioners' Guide*. Please note that sections 1 & 2 constitute the 'proper practices' that smaller authorities must follow and sets out the appropriate standard of financial reporting. A copy of the current version of the Guide and other useful information is available for free download from this page:

<https://www.pkf-littlejohn.com/services-limited-assurance-regime-useful-documents-and-links>