

Internal Audit Report

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

Name of council:	Medbourne Parish Council		
Name of Internal Auditor:	Stuart McDonald	Date of report:	21/5/20
Year ending:	31 March 2020	Date audit carried out:	20/5/20

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 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 Chair of the Council:

I have carried out the Internal Audit for the year ended 31st March 2020. I should like to thank the Clerk, Martin Field, for his time and for his help in enabling the audit to be carried out remotely, given the current social restrictions. We had a final Zoom meeting to conclude matters.

Firstly, I shall look at last year's report. I am pleased to note that most of the areas identified have been addressed. There are a couple of exceptions. I note that there is still no Equal Opportunities policy – the Council has a legal duty to comply with Equalities legislation, and a published policy would demonstrate that compliance. More significantly, the Council's reserves are still higher than the recommended guidelines – more on this below in Item 1.

The Council was exempt from a limited assurance review last year.

Turning to this year's audit, there are 2 matters to bring to your attention.

1. Reserves. I have ticked "No" in answer to Objective D on the Internal Audit report. The guidelines set out in the Governance document referred to at the foot of this report (Section 5.32 on page 45 in particular) state that the "the generally accepted recommendation with regard to the appropriate minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE)". It goes on to define NRE as effectively the precept less any loan repayments and amounts for capital projects and transfers to earmarked reserves. The Council's total funds amount to £27,875. There are a couple of earmarked funds – the Mower fund £5,517 and Traffic Safety £2,000. Deducting these amounts from the total leaves a general reserve of £20,358. With a precept of £10,949 for 18/19 and £11,864 for 19/20, it is clear that this is significantly in excess of the guidelines, and more than that which I noted last year (£19,326). The Governance document also points out in Section 5.168 on page 68 that authorities have no legal powers to hold revenue reserves other than for

reasonable working capital needs, or for specifically earmarked purposes. Consequently, the Council should consider its response to Question 7 on the AGAR section 1 (the Governance Statements), as this matter was raised last year in my report.

2. Transparency Code (TC). The Council, by virtue of its income and expenditure being under £25,000, can, and indeed, did, exempt itself correctly from an external limited assurance review by PKF Littlejohn. The "quid pro quo" of this status is that the Council must comply with the TC. This mandates certain information being published on the website. Much of the required information is there and readily available, but the list of items costing over £100 is not readily available. The Code requires the list to include the date of the expenditure, its purpose, amount, and any irrecoverable VAT. The Council does publish its expenditures on the agendas and minutes of each meeting, but it is recommended that a separate list be prepared and made available on the website after the end of each financial year in accordance with the TC's requirements.

I am required to state why I have ticked "Not covered" to item K on the Internal Audit report – Petty Cash. This is quite simply because the Council does not operate a petty cash system.

I have tested all the Internal Control Objectives I am required to consider, and in all significant respects, the objectives have been met, except where I have explained otherwise, and I have therefore completed the Internal Audit Report section of the Annual Governance and Accountability Return accordingly.

This report is based on the evidence made available to me. 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. Consequently the report is limited to those matters set out.

Yours sincerely,



Stuart McDonald
Internal Auditor to the Council
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The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2019	Year ending 31 March 2020
1. Balances brought forward	19975	24833
2. Annual precept	10949	11864
3. Total other receipts	3321	330
4. Staff costs	2495	2657
5. Loan interest/capital repayments	0	0
6. Total other payments	6917	6495
7. Balances carried forward	24833	27875
8. Total cash and investments	24833	27875
9. Total fixed assets and long term assets	48497	47761
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 (2018)*. 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.leicestershireandrutlandalc.gov.uk/uploads/governance-and-accountability-for-smaller-authorities-in-england-2019-sections-1-5-1.pdf>