

WESTBURY PARISH COUNCIL INTERNAL AUDIT 2021-22

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:

Following discussion with Cathy Knott, Clerk & RFO and by mutual agreement I carried out the audit on 28 April remotely, by means of e-mail and a virtual meeting online platform. I would thank Cathy for her co-operation and assistance in delivering the audit; receiving the year-end data in good time has been very helpful.

I firstly 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 that the previous year's Internal and External Audit reports had been properly reported to and where necessary acted upon by the Council.

I then 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 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 Cathy in the form of answers to the questions raised together with on screen sight of documents.

I identified two audit issues, as follows;

- I noted that on occasions the clerk incurs expenditure on behalf of the council using her own funds, that are then claimed and reimbursed retrospectively by the council. This practice is specifically prohibited by the council's Financial Regulations (reg 6.20) as is the holding of a cash float (reg 6.21). It is now common practice for councils to provide a corporate debit or credit card to be used for such *ad hoc* purchases; this practice is specifically permitted by Financial Regulations reg 6.18 and 6.19 and the council should now make the necessary arrangements with its bank.
- the annual budget and precepting process should include a review of the council's financial reserves to confirm that they are both adequate and appropriate. Whilst I understand and accept that consideration of the reserves does form part of the deliberations, this is not recorded, nor are the reserves expressly identified in a minute or elsewhere in a Reserves Policy (see Practitioners' Guide 2022 edition*** para 1.13). All reserves need to be reviewed and justified regularly ie at least annually, normally as part of the budget and precept setting process and it is best practice to publish both the level and *rationale* of all reserves (see PG*** paras 5.30 - 5.38). The 2021-22 precept was £17,726 and the year-end figures indicate that the deposit account contained £22,443 ie some 125% of the precept and so requires justification (see PG* para 5.33); I understand that some of the funds held on deposit are likely to constitute earmarked reserves.

Notwithstanding the above issues and despite a second difficult year due to the C-19 pandemic, 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
 07505 139832
wjm.marshall1@gmail.com

The figures submitted in the Annual Return are:

	Year ending 31 March 2021	Year ending 31 March 2022
1. Balances brought forward	18,725	16,659
2. Annual precept	18,481	17,726
3. Total other receipts	33,346	26,244
4. Staff costs	6,555	6,785
5. Loan interest/capital repayments	0	0
6. Total other payments	47,338	27,721
7. Balances carried forward	16,659	26,123
8. Total cash and investments	16,659	26,123
9. Total fixed assets and long term assets	956,620	1,060,695
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>