

## Annual Internal Audit Report

Name of council:	Yardley Gobion Parish Council		
Name of Internal Auditor:	John Marshall	Date of report:	26.05.2022
Year ending:	31 March 2022	Date audit carried out:	26.05.2022

*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. Managing the council's internal controls should be a day-to-day function of the staff and management and not left for internal audit. This report is based on the evidence examined and made available to me. It would be incorrect to view internal audit as the detailed inspection of every record and transaction of the Council in order to detect error or fraud. 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 Lesley Ratcliffe, Clerk and RFO on 26 May to conduct the 2021-22 internal audit. I would thank Lesley for his assistance and co-operation in carrying out the audit. Prior to our meeting I 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 In-person meetings and noted that the council's processes and procedures had been properly re-set.

I sought evidence and was able 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 reviewed the council's arrangements for the management and control of its business in the areas of bookkeeping, due process and governance (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 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).

I noted two issues, as follows;

- the notice of public rights and publication of the unaudited AGAR, that includes the dates for the period of inspection was not displayed on the website. Instead, the official document summarising the rights was published alongside all sections of the AGAR and the required notice (that I have seen) was prominently displayed on the parish council public notice board. I am satisfied this was due to momentary confusion at a time when the council was actively considering improvements to its website including transferring to a new provider, in response

to comments made by me in my 2020/21 NCALC narrative internal audit report) and because the requirements for display were met, in spirit rather than to the letter I have answered 'yes' rather than 'no' to question M in the Annual Internal Audit Report (AIAR). To prevent a recurrence, I have suggested to Lesley that it would be prudent to adopt a 'belt and braces' approach by additionally minuting the confirmed dates for the exercise of public rights.

- the balance brought forward was £38,300, the precept for the year was £25,500 and the council's year-end carry forward stands at £39,367. In discussion with Lesley, it transpired that while some of this money is intended for specific purposes (that would, in my opinion meet the criteria for earmarked reserves set out in the current (2022) version of the Practitioners' Guide) the earmarks are informal and notional. Even allowing for these sums, the upshot is that the council is carrying forward more than 12 months of net revenue expenditure, the generally accepted recommended maximum set out in para 5.33 of the current (2022) version of the Practitioners' Guide. Furthermore, whilst I understand that the level of reserves is routinely taken into consideration as part of the budget and precept setting process, the carry forward grew by £1,067 during the course of the year. Smaller authorities have no specific rights to accumulate funds via the precept and I have therefore answered 'no' to question D in the AIAR.

The council should now review its reserves to identify the sums that can legitimately be classed as 'earmarks' and then formulate and publish a reserves policy to manage the issue going forward, drawing on the guidance set out in the Practitioners' Guide paras 5.30 - 5.38 to which I have drawn Lesley's attention.

Notwithstanding the above, based on the information made available to me I am satisfied that in all significant respects, the internal control objectives are being delivered and achieved to a standard adequate to meet the council's needs. Accordingly, I have completed and signed 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	33,247	38,300
2. Annual precept	25,500	25,500
3. Total other receipts	4,269	6,821
4. Staff costs	5,162	5,252
5. Loan interest/capital repayments	0	0
6. Total other payments	19,554	26,002
7. Balances carried forward	38,300	39,367
8. Total cash and investments	38,300	39,367
9. Total fixed assets and long term assets	101,429	100,329
10. Total borrowings	0	0

The proper practices referred to in Accounts and Audit Regulations 2015 are set out in the current version of *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 guide is available for free download from this page:

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