

Internal Audit Report

Name of council:	Moulton Parish Council		
Name of Internal Auditor:	John Marshall	Date of report:	30.04.2019
Year ending:	31 March 2019	Date audit carried out:	30.04.2019

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 Chairman of the Council:

I carried out the year-end audit of the Council on 30 April. I met with Jane Austin, Parish Executive Officer together with Claire Connolly, Assistant Clerk and would take this opportunity to thank them for their time and assistance. The Council clearly benefits from a combination of active and engaged elected members working with a knowledgeable and competent administration team.

I examined the Council's arrangements for the management and control of its business in the areas of book keeping, 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. I also sought evidence that the previous year's reports from Internal and External Auditors had been properly reported to and actioned by the Council; they had.

As a result of this audit, I would draw your attention to the following:

- the Council dealt with items of confidential business (when the press and public are excluded) on 2 occasions during the course of the year. I discussed with Jane the correct procedure for dealing with confidential business, in particular the need to distinguish between the business, which is confidential and the minuting thereof which is not. When such business arises, conduct of the agenda item starts with a 'resolution to exclude' being put to (and passed by) the Council. The business is then discussed and once concluded, the meeting is re-opened and the outcome, usually in the form of a resolution is put in open session eg a resolution to offer a job or a contract, which is minuted in the normal way. It is the *business* that is confidential, not the *minute*, although a confidential *note* may be kept.
- I noted that the Council has recently acquired a small parcel of land at Marsh Spinney and that this is destined to be the site of the planned new medical centre. Land holdings are assets that should be included on the Asset Register at an appropriate value ie £1 as a proxy or the full commercial value if they have development potential.
- I discussed with Jane two separate matters related to expenditure, *viz*

a) whether items of expenditure, expressly identified in the approved Budget need to be (re-)approved by the Council at the time the expenditure occurs, later in the year. I confirm that this is not necessary

b) whether the spending authority delegated to the Finance Committee is prudent and appropriate. I can see no reason or justification why this authority, a departure from the *status quo* might be necessary but if it can be justified, then the authority would sit better with the Executive Officer rather than a sub-group of elected members. In any event, any change of procedure must be written into the Council's Financial Regulations.

- I would also draw attention to Financial Regulation 2.2 in respect of the procedures for operation of the Council's internal controls, including the role and remit of the Internal Controls Councillor. The requirement is for (at least) quarterly checks, but if the Council wishes to continue with the monthly checks, these should be explicitly reported and recorded in the Minutes. The Council no longer uses cheques for payment and the regulation needs to be re-worded to reflect the protocol.

The role of internal audit as laid down by the Joint Panel on Accountability and Governance (JPAG) is limited to a review of the controls in place and the accounting records maintained during the course of the year. It would be incorrect therefore to view internal audit as an audit of the year-end accounts and the detailed inspection of all records and transactions of a council, in order to detect error or fraud. Consequently, this report is based on the evidence made available to me and the report is limited to those matters set out above.

Through examination of information provided on the Council's website and the inspection of hard evidence and questioning, I tested all of the objectives of Internal Controls set out in the Annual Internal Audit Report, part of the Annual Governance and Accountability Return (AGAR). I am satisfied that in all significant respects, the internal control objectives have been achieved and accordingly, I have completed and signed off the AGAR as required.

John Marshall
Internal Auditor to the Council
07505 139832
wjm.marshall1@gmail.com

The figures submitted in the Annual Return are:

	Year ending 31 March 2018	Year ending 31 March 2019
1. Balances brought forward	486,563	507,962
2. Annual precept	270,812	281,891
3. Total other receipts	800,295	1,175,859
4. Staff costs	138,539	141,580
5. Loan interest/capital repayments	89,359	332,261
6. Total other payments	821,810	1,100,647
7. Balances carried forward	507,962	391,224
8. Total cash and investments	526,350	323,338
9. Total fixed assets and long term assets	3,256,574	3,263,596
10. Total borrowings	2,250,444	2,053,368

*The proper practices referred to in Accounts and Audit Regulations 2015 are set out in *Governance and Accountability for Smaller Authorities in England (March 2018), A Practitioners' Guide*. 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:

https://www.pkflittlejohn.com/sites/default/files/media/documents/governance_and_accountability_for_smaller_authorities_in_england_2018_sections_1-5_0.pdf