

## **Annual Internal Audit Report for Stourpaine Parish Council for the year ended 31 March 2019**

I have completed the Annual Internal Report for Stourpaine Parish Council - Section 4 of the Annual Return for the year ended 31 March 2019.

The duties of internal audit relate to reporting the adequacy and effectiveness of the council's system of internal control. In carrying out my review I took into account *Governance & Accountability for Smaller Authorities in England, A Practitioners' Guide* for 2018/19 issued by the Joint Panel on Accountability and Governance (JPAG). I also considered the recommendation made in my report for the year ended 31 March 2018.

I carried out selected checks of the bank records against Minutes of council meetings, third party invoices and cash book (spreadsheet) entries. The spreadsheet entries showed the dates income was received and cheques issued, and also showed dates when cheques were cleared. There were no cash transactions. Bank reconciliations were carried out prior to council meetings.

In my report for the previous year I noted that the minutes show that the council is aware that it should not hold reserves other than for reasonable working capital needs or for specifically earmarked purposes. A planning paper for the 2019/20 precept states that the PC must consider an appropriate precept to cover: a) the costs it is likely to incur in 2019/20; b) a realistic contingency; c) safeguarding the PC's reserves. At 31/3/19 Specific Reserves were £12,500 and General Reserves £22,750. Para 5.166 of the Practitioners' Guide states that *"As authorities have no legal powers to hold revenue reserves other than those for reasonable working capital needs, or for specifically earmarked purposes, whenever an authority's year end general reserve is significantly higher than both the annual precept or rates and special levies, an explanation should be given to the auditor"*. (This means the external auditor, not the internal auditor). As the annual precept is £17,500 the General Reserve exceeds this by 30% I think it would be regarded as significantly higher in relative terms. Various potential or estimated future costs not shown as Specific Reserves have been identified but these need to be kept under review.

I recommend that:

1. The PC draws up a Financial Reserves Policy to set out how the council will determine and review the level of reserves. (There are numerous policies published on the internet which could be used as a template.)
2. Specific Reserves are reviewed on an individual basis as money is spent or information becomes available during the year as well as part of the budgeting process.
3. General reserves are monitored. The level is a matter of judgment but they must be justifiable.

Overall I considered the council's internal control arrangements which I reviewed to be adequate and effective.

Margaret Williams  
30 April 2019