

Annual Internal Audit Report for Stourpaine Parish Council for the year ended 31 March 2020

I have completed the Annual Internal Report for Stourpaine Parish Council - Section 4 of the Annual Return for the year ended 31 March 2020.

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 recommendations made in my report for the year ended 31 March 2019.

I carried out selective 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.

The council is aware that it should not hold reserves other than for reasonable working capital needs or for specifically earmarked purposes. Para 5.168 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.)

Following the recommendations in my report for the year ended 31 March 2019 the council adopted a Financial Reserves Policy on 17 October 2019. Under this policy it is intended to maintain the level of the general reserve up to a maximum of 12 month's income with any surplus being used to fund capital expenditure, be appropriated to ring fenced reserves, or to limit any increase in the precept. The policy also states that ring-fenced reserves will be set out, reviewed and not replenished when they have served their purpose. The surplus at 31 March 2020 was £35250 of which £17200 has been allocated to the general reserve and the balance of £18,050 allocated to specific ring-fenced reserves. This is in line with the policy.

I continue to recommend that ring-fenced reserves are reviewed regularly during the year as money is spent or information becomes available and that evidence of how the figures are arrived at is documented wherever possible. This should provide an audit trail and ensure the policy is applied.

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

Margaret Williams
24 April 2020