

Internal Audit Report

(to be read in conjunction with Section 4 of the Annual Return)

Name of council:	Flore Parish Council		
Name of Internal Auditor:	John Marshall	Date of report:	20.04.17
Year ending:	31 March 2017	Date audit carried out:	19.04.17

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. It is important to note that managing the council's internal controls is a day-to-day function of the council through its staff and councillors and it would be incorrect to view internal audit as the detailed inspection of all records and transactions of the council in order to detect error or fraud. This report is based on the evidence made available to and seen by me.

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 Sue Halkett, Clerk and RFO on 19 April to carry out the year-end audit of the Council; I would take this opportunity to thank Sue for her time and assistance. It is to the Council's credit that BDO as External Auditor raised no audit issues and that matters noted by me at the previous year-end audit have been fully addressed. That said, I did identify one issue this year that the Council should consider and address viz;

- the Council has again set a deficit budget, where anticipated expenditure exceeds planned income. There can be a number of legitimate reasons for taking this option including, as in your case the use of reserves to fund the deficit, but the reason(s) for doing so should be included in the minute recording the budget and precept discussions to demonstrate both sound financial management and good governance in terms of transparency.

Indeed, para 5.9 of the recently published (March 2017) version of the Practitioners' Guide to Proper Practices* identifies the consideration of the need for reserves as a key stage in the Council's budgeting process. The amount of general ie non-earmarked reserves should be risk-assessed and approved annually by the Council as part of the process; this issue will assume greater significance given the housing growth of nearly 20% increase in the number of dwellings and consequently the increase in precept income available to the Council via the council tax.

It is apparent that the Council continues to be well organised and managed by its engaged Councillors and competent Clerk. By examination of hard evidence, I tested all the aspects of the Council's internal controls that I am required to consider at Section 4 of the Annual Return and I am satisfied that effective systems to manage, monitor and control the Council's business are in place. Accordingly, I have completed and signed off section 4 of the Annual Return 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 2016	Year ending 31 March 2017
1. Balances brought forward	32,321	28,103
2. Annual precept	28,456	29,000
3. Total other receipts	5,090	3,932
4. Staff costs	7,308	7,608
5. Loan interest/capital repayments	0	0
6. Total other payments	30,456	23,782
7. Balances carried forward	28,103	29,645
8. Total cash and investments	28,103	29,645
9. Total fixed assets and long term assets	107,769	107,377
10. Total borrowings	0	0

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2017)*. 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:

<http://www.northantscalc.com/uploads/practitioners-guide-2017.pdf>