

### Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Lubbesthorpe Parish Council		
Name of Internal Auditor:	Catherine Voyce	Date of report:	14/06/2021
Year ending:	31 March 2021	Date audit carried out:	14/06/2021

*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:

Due to the current coronavirus pandemic, I communicated remotely with Lisa Sly, the new Clerk and Responsible Financial Officer to complete the 2020-21 internal audit for Lubbesthorpe Parish Council. I would like to thank Lisa for her time and assistance in co-operating in this manner.

A series of independent audit tests were undertaken using the various financial records, documents, minutes, and the previous audit report to ascertain the efficiency and effectiveness of the Council's internal controls.

These tests were undertaken by reference to the information available on the Council's website and the additional documentation being provided electronically by the Clerk.

#### Internal Control

1. This is a new Council in its second year and the Clerk has made good progress in achieving necessary internal controls and in her reporting to Council.
2. The Council did not modify its Standing Orders to support the new empowerment enshrined in the Coronavirus Act 2020 and associated 2020

Regulations that permitted the holding of virtual meetings, even though remote meetings were held.”

It is good practice to for the Standing Orders to be signed and dated by the Chairman when they are adopted. A review date is also necessary.

3. The Council’s Financial Regulations provide guidance to good financial control, but the Regulations require clarification to some ambiguities in items 4.1 and 4.3. An amendment to item 18.1 is needed which states “to be reviewed from time to time” to be amended “to be reviewed annually”. The Financial Regulations should be signed and dated by the Chairman when they are adopted.
4. Local councils need to hold an amount in reserves to meet unexpected expenditure; this should typically be between three and twelve months expenditure as a general reserves and it should be noted that this has been achieved.
5. The previous internal audit report recommended a Risk Assessment procedure be in place. This is on the agenda for the June 2021 Council meeting.
6. Smaller councils can claim VAT back for non-business activities and this is recommended. As the Council do not charge for public services, there is no requirement to register with HMRC.
7. The Clerk is using her own credit card for Council expenditure, although the card is not used for any of her own personal transactions, this is not good practice. The Clerk should be using a Council credit or debit card with an agreed top limit of up to her emergency spend of £1K, or a pre-paid card can be issued that can be topped up periodically. This mitigates any financial risk of over-spend.
8. The website is new and is still being furnished with documentation. However, there are some statutory documents missing from the website that the Council have approved and these have been recommended to be uploaded ASAP, documents for up to three years (when available):
  - a. Income and Expenditure
  - b. Budget
  - c. Payments list over £100
  - d. Internal and External Auditors reports
  - e. AGAR
  - f. Asset Register
  - g. Insurance certificates
  - h. Risk Assessment once implemented by Council

9. By reviewing the hard evidence, discussing with the Clerk, and selectively testing a small number of transactions, I am satisfied that the Council is operating sound policies and procedures which enable it to deliver its services and fulfil its responsibilities effectively and efficiently.
  
10. Recommendations have been made within this report to enhance and strengthen the internal controls that exist. I have tested all the Internal Control Objectives I am required to consider, and the majority of objectives have been met. I have therefore completed the Internal Audit Report section of the Annual Governance and Accountability Return. This report is based on the evidence made available to me. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council to detect error or fraud. Consequently, the report is limited to those matters set out.

The figures submitted in the Annual Governance and Accountability Return are:

	<b>Year ending 31 March 2020</b>	<b>Year ending 31 March 2021</b>
1. Balances brought forward	0	20,807
2. Annual precept	25,000	30,000
3. Total other receipts	0	0
4. Staff costs	0	8,709
5. Loan interest/capital repayments	0	0
6. Total other payments	4,193	8,058
7. Balances carried forward	20,807	34,040
8. Total cash and investments	20,807	34,040
9. Total fixed assets and long term assets	1,388	2,822
10. Total borrowings	0	273,384

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2018)*. 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.leicestershireandrutlandalc.gov.uk/uploads/governance-and-accountability-for-smaller-authorities-in-england-2019-sections-1-5-1.pdf>