

Internal Audit Report

Name of council:	Higham Ferrers Town Council		
Name of Internal Auditor:	John Marshall	Date of report:	07.05.2021
Year ending:	31 March 2021	Date audit carried out:	07.05.2021

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. 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 a council in order to detect error or fraud. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.

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 Covid-19 pandemic and as a consequence of the legal distancing restrictions imposed by the UK government I carried out the audit remotely, by e-mail and 'phone. I would thank Sandra Mitcham, Town Clerk and RFO for her co-operation and assistance in delivering the audit; having the year-end data available so promptly at the end of what has been a difficult year for clerks and councils, together with her quick response to my queries has been very helpful to me.

I carried out an in-year audit in January of this year at which time I examined the publicly available information displayed on the council's website including the council's policies, procedures, agendas, minutes, financial and other records. I sought evidence at that time that the previous year's Internal and External Audit reports had been properly reported to and where necessary acted upon by the Council - they had - and I noted confirmed at this audit that my earlier in-year report had also been reported.

I then examined the council's arrangements for the management and control of its business in the areas of bookkeeping, 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 and compliance with the display of information including the exercise of public rights. I looked particularly at the arrangements the council put in place in response to the C-19 restrictions, to manage the processes and procedures that would normally require documents including Minutes, invoices etc to be physically examined and / or signed. It was evident that the council's response had been both prompt and effective to the extent that there was no diminution in the overall standard of internal controls.

Where necessary, I requested and was provided with supplementary evidence to enable me to reach a conclusion regarding the enquiries I am required to make as set out in the AIAR. This supplementary information was provided in the form of written answers to the questions raised together with scanned documents including the Accounting Statements (section 2 of the AGAR) and the bank reconciliation.

I did however identify one audit issue, relating to reserves that the council should consider and address. I noted that the balance carried forward at the year-end stands at

£1,205,063, an increase of some 20% over the previous year's figure. I noted that this sum was made up of both earmarked and general reserves (the latter representing just under 50% of precept) and that the reserves had been reviewed by the Policy and Resources Committee in February. I examined the earmarked reserves to ensure that they met the requirement that they are '...held for genuine and intended purposes...' (see para 5.33 of the Practitioners' Guide) and that they were justified. To that end, I understand the reserve entitled 'Community Building / Heritage Centre' that stands at £100,395 is described as 'reserves being built up for the future project'. From discussion with Sandra I concluded that this project is perhaps more aspirational than a firm proposal at this time and that the council had deferred a decision, pending the May elections. Now that a new council is in place, given the size of the sum involved I think it is appropriate for the council to decide whether and how to proceed with the proposal and so justify the earmark.

Notwithstanding the above comment and despite a challenging year, the council and its staff have maintained their usual high standard of performance, for which they are to be congratulated. I am pleased to be able to report that based on the information made available to me and having tested all the aspects of the council's internal controls that I am required to consider, I am satisfied that in all significant respects, the internal control objectives were achieved throughout the financial year to a standard adequate to meet the council's needs. Accordingly, I have completed and signed off the Annual Internal Audit Report 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 2020	Year ending 31 March 2021
1. Balances brought forward	811,087	972,699
2. Annual precept	420,000	440,000
3. Total other receipts	291,095	244,772
4. Staff costs	138,486	139,770
5. Loan interest/capital repayments	0	0
6. Total other payments	410,997	412,638
7. Balances carried forward	972,699	1,205,063
8. Total cash and investments	966,308	1,192,988
9. Total fixed assets and long term assets	2,466,422	2,483,454
10. Total borrowings	0	0

The proper practices referred to in Accounts and Audit Regulations 2015 are set out in *Governance and Accountability for Smaller Authorities in England, A Practitioners' Guide*. Please note that sections 1 & 2 constitute the 'proper practices' that smaller authorities must follow and sets out the appropriate standard of financial reporting. A copy of the current version of the Guide and other useful information is available for free download from this page:

<https://www.pkf-littlejohn.com/services-limited-assurance-regime-useful-documents-and-links>