

**INTERNAL AUDIT REPORT**  
**For the year ended 31<sup>st</sup> March 2020**

To **Ludford Parish Council**

I have carried out an internal audit in accordance with the Council's needs, and in line with the Internal Control Objectives listed in the annual return for Local Councils in England.

**Internal Audit Opinion**

In my opinion the reduction in the non ring fenced reserves is of concern and the low amount of the general fund balance must be addressed.

**1. Accounts**

The accounts for 2019/2020 were as follows

	Total	Ringfenced	Not ringfenced
Income	£ 6,694.50	£ 1,979.04	£ 4,715.46
Expenditure	£ 6,053.70	£ 889.04	£ 5,164.66
<u>Surplus</u>	<u>£ 640.80</u>	<u>£ 1,090.00</u>	<u>-£ 449.20</u>

The reserve balances at 31<sup>st</sup> March 2020 were as follows

	01/04/19	inc/dec	transfer	31/03/20
General fund	-£ 198.24	-£ 449.20	£ 647.44	£ 0.00
St lighting	£ 1 521.22	£ 0.00		£ 1,521.22
Elections	£ 800.00	-£ 0.00	-£ 647.44	£ 152.56
<u>Not ring fenced</u>	<u>£ 2,122.98</u>	<u>-£ 449.20</u>	<u>£ 0.00</u>	<u>£ 1,673.78</u>
Environment	£ 2,227.74	-£ 274.50		£ 1,953.24
C.I.L.	£ 0.00	£ 1,979.04		£ 1,979.04
Transparency	£ 614.54	-£ 614.54		£ 0.00
<u>Ring fenced</u>	<u>£ 2,842.28</u>	<u>£ 1,090.46</u>		<u>£ 3,932.28</u>
<u>Total reserves</u>	<u>£ 4,965.26</u>	<u>£ 641.26</u>		<u>£ 5,606.06</u>

Note that the general fund made a net loss in the year and the negative balance has been eliminated by utilising most of the elections reserve.

Also please note that although the precept was increased for 2019/20 it was insufficient an increase to prevent non ring fenced reserves reducing by £ 449.20 during the year.

The general fund balance needs to be much higher so that the council has some resilience against unforeseen events and expenses.

It should also be noted that the transparency reserve has now been fully utilised and hence all expenditure on the website and I.T. will fall upon the general fund in future..

It should be noted that building up the non ring fenced reserves will entail cost cutting or an increase in council tax.

**Recommendation:**

**It is imperative that the council set a budget at a level that the general fund reserves are brought up to a reasonable level.**

**2. Budget compilation and monitoring**

Upon examination of the budget for 19/20 and 20/21 there appears to be a problem in compilation in that it states:-

	<u>2019/20</u>	<u>2020/21</u>
Expenditure	£ 9,154.00	£ 7,780.00
Income	£ 2,279.00	£ 1,279.00
Increase in reserves	£ 500.00*	£ 500.00*
Precept	£ 4,700.00	£ 6,000.00

However with that expenditure, income and precept there would be a reduction in reserves not an increase i.e: when expenditure is greater than total income then the shortfall can only come from a reduction in reserves.

Expenditure	£ 9,154.00	£ 7,780.00
Income	£ 2,279.00	£ 1,279.00
Decrease in reserves	-£ 2,175.00*	-£ 501.00*
Precept	£ 4,700.00	£ 6,000.00

It is opportune that the actual expenditure during 2019/20 was much lower than budgeted and hence the actual financial situation is better than it would have been.

If expenditure and income are in line with the budget for 20/21 then the reserves will be as follows :

	Non ring fenced	ring fenced	Total
Expenditure	£ 6,180.00	£ 1,600.00	£ 7,780.00
<u>Income</u>	<u>£ 300.00</u>	<u>£ 979.00</u>	<u>£ 1,279.00</u>
surplus/-shortfall	-£ 5,880.00	-£ 621.00	£ 6,501.00
<u>Precept</u>	<u>£ 6,000.00</u>	<u>£ 0.00</u>	<u>£ 6,000.00</u>
<u>+ / - Reserves</u>	<u>£ 120.00</u>	<u>- £ 621.00</u>	<u>-£ 501.00</u>
Reserves 31/03/20	£ 1,673.78	£ 3,932.28	£ 5,606.06
<u>+/- surp/short</u>	<u>£ 120.00</u>	<u>- £ 621.00</u>	<u>-£ 501.00</u>
<u>Reserves 31/03/21</u>	<u>£ 1,793.78</u>	<u>£ 3,311.28</u>	<u>£ 5,105.06</u>

Hence – Although the budget for 20/21 reduces the reserves this is from the ring fenced reserves, and the non ring fenced reserves would actually increase a little.

**It is recommended that :-**

1. The council must endeavour to keep expenditure in the coming year under very tight control.
2. The council must monitor expenditure and income against the budget continually throughout the year and take prompt action should expenditure exceed the budget
3. The Council should consider analysing the budget into ring fenced and non ring fenced income and expenditure as well as in total so as to ensure that in future the non ring fenced reserves are increased year on year.

**3. Previous year overpayment**

The accidental overpayment to the clerk in 2018/19 has been over-recovered during 2019/20, and this over recovery has been shown as a creditor of £ 2.70 in the accounts.

**4. Vat**

The clerk is in the process of making a claim for vat refund for 19/20 and previous years.

**5. Petty cash**

The Council does not operate a petty cash system and hence this area of control has not been examined in the course of this audit.

**It is recommended that:-**

The council does not introduce a petty cash system.

**6. Transparency**

The website still does not have the financial regulations and standing orders, also minutes for several meetings remain to be loaded.

**7. Asset register**

The asset register should be updated for the laptop held by the chairman and the usb sticks purchased in 19/20.

**8. C.I.L grant and associated spending**

The council is required to specifically record C.I.L. expenditure and report regularly upon the amounts spent against the grant received.

Such reports should be placed upon the website.

After 5 years any unspent C.I.L. monies will be reclaimed by the issuing council ( Shropshire council), and hence it is imperative that the income and expenditure on this item is properly recorded.

**It is recommended that:-**

1. C.I.L income and expenditure should be specifically accounted for, a ring fenced reserve has been set up for this purpose.
2. When expenditure is reported in the minutes it should be made apparent which items are for C.I.L, a note to the cheques raised should be adequate for this. ( it would also be useful if a similar note were to be used regarding all similar expenditure stating which reserve should be used)

3. An item be added to the agenda showing total c.i.l. grant received and cumulative expenditure incurred to date and upon which scheme. This would provide most of the regular reporting requirements for C.I.L.

Please note that the Recommendations stated in this report may have already been taken under consideration by the Council.

Audit and report prepared by

Kevin Lawrence Adams

Date

20/08/20