

7 Ross Close  
Pinhoe  
Exeter  
EX1 3UE

28 May 2019

Cllr Kathy Rogers  
Chairman  
Lymptone Parish Council

Dear Cllr Rogers

***Internal Audit for the financial year ended 31 March 2019***

I have completed the internal audit of the Council's systems of financial and other controls over its operating procedures and activities. This has been carried out in line with proper practice set out in the Governance and Accountability for Smaller Authorities in England (the Practitioner's Guide).

Accounting records

Accounting statements are prepared on a receipts and payments basis as appropriate and are supported by the underlying records.

Appropriate accounting records have been kept throughout the financial year. By sampling a random selection of financial transactions, I confirm that expenditure was approved, payments were supported by invoices and VAT was properly accounted for and reclaimed. Income received was properly recorded and banked.

Financial Regulations and Standing Orders

The Parish Council complies with its Financial Regulations, however, these are dated August 2014 and I recommend that the Council reviews and updates its Financial Regulations as per the current Model Financial Regulations. The Clerk is aware of the need for a review and this is referred to in the *Review of system of internal controls 2018-19* prepared by the Clerk.

The Council's Standing Orders are dated April 1999 and I recommend that these are reviewed and updated, as a matter of priority, as per the current Model Standing Orders.

I understand from the Clerk that the Council has recently formed a working group to consider Finance, Grants, Funding and Compliance. This is to be welcomed as a means of keeping the Council's policies and procedures under review.

Risk management and insurance

The Council assesses significant risks in line with Financial Regulations and reviews its insurance annually. The Council maintains a Register of Risks which should be kept under regular review.

#### Precept, budget monitoring and reserves

The precept resulted from an appropriate budgetary process and the Council monitors its progress against budget on a monthly basis. A financial summary is also presented to the Council monthly.

The internal audit report for the previous year referred to the level of reserves which were considered high. The level of reserves at the end of the financial year 2018-19 remains high at £59,756, although £35,000 of these reserves are earmarked. It is generally recommended that unallocated reserves are kept at a level of between 3 to 6 months running costs and the Council may wish to review the reserves as part of the year end process to ensure it is satisfied that they are at an appropriate level.

#### Petty cash

The Council does not operate petty cash.

#### Staff costs

Salaries and any increase in salaries were approved and PAYE and NI requirements were properly applied and accounted for. Any allowances to members were approved by the Council.

#### Asset register

The asset register was maintained and up to date at the year end.

#### Summary of recommendations

- Priority review of Financial Regulations
- Priority review of Standing Orders
- Review of the level of unallocated reserves

In my opinion, the Council's financial procedures and controls are sound and effective.

Thank you for appointing me to undertake this work.

Yours sincerely

Sarah Jenkins