

# FALDINGWORTH PARISH COUNCIL

## Internal Audit Report.

This audit report is to read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return.

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 council through its staff and management and not left for internal audit. 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. 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.**

I have completed a thorough audit of Faldingworth Parish Council primarily limited to systems and procedures and financial balancing. I have not undertaken an in depth audit of the accounts but would be happy to do so if required.

From what I have seen I do not consider that such an audit is necessary.

### **PREVIOUS AUDIT**

Following the audit report for the period 2021/22 there were no recommendations although concern was raised regarding how the council handled the clerk salary and tax/NIC payments. Please refer to my comments below.

### **TRANSPARENCY**

All requirements are met.

### **ACCOUNTING**

The Council use a basic spread sheet cash book system which is more than suitable for the number of transactions handled and is easy to use.

There are no VAT receipts which would suggest there was no VAT reclaim undertaken for the period to 31/03/22. I'm advised that no VAT return to 31/03/23 has been submitted. I would recommend these are submitted as this reclaim would amount to £329.43 for the financial year ending 31/03/23.

There have been no cash payments made. Cash receipts are taken and a cash handling policy is in place for such transactions.

Section 137 payments should be recorded separately (poppy wreath should be S137).

Payments and bank reconciliations are reported to Council at each meeting.

*Recommendations:*

*S137 payments analysed separately.*

*VAT reclaim brought up to date*

## **GOVERNANCE AND DUE PROCESS**

Agenda's correct and available.

Minutes correct and available.

Standing Orders and Financial regulations were last reviewed in July 2021. Policies should be reviewed annually and a new model Standing orders and Financial regulations have been issued with changes to procurement levels.

Terms of Reference are not available for the Staffing Committee.

List of Members Interests are available on the website and held by the Clerk.

Acceptance of Office Declarations are held by the Clerk.

There is no Scheme of Delegation and little evidence of internal audit. A Scheme of Delegation would be recommended.

GDPR Policy was last reviewed in January 2022. There is no Publication Scheme which is a legal requirement to have

Contact details on the website are incorrect (currently showing Wendy Green as clerk).

Fixed assets have been reviewed.

*Recommendations:-*

*Standing Orders need to be reviewed*

*Financial Regulations need to be reviewed*

*Terms of Reference for the staffing committee require adopting.*

*Publication Scheme requires adopting.*

*Would recommend a Complaints Policy be adopted.*

*The AGAR Section 3 (completion of audit) does not appear to have been published on your website.*

## **RISK MANAGEMENT**

No unusual activity identified within the minutes.

Insurance has been reviewed and appropriate.

The Risk Assessment/Policy is thorough and last reviewed in November 2021 – requires review.

Bank balances are reported to meetings.

Bank mandate is currently under review with a change of bank.

The Clerk operates an adequate back up system for files.

## **BUDGET**

Appropriate budget process completed in setting the precept.

Reserves adequate.

## **PAYROLL**

I have not seen any wage slips or evidence of tax/NIC payments for the Clerks employment. This matter was raised by the last auditor, and I raise equal concerns.

The parish council should be registered with HMRC and have a PAYE Scheme in place and the clerk should be paid less tax/NIC. The council should then pay the appropriate tax, employer and employee NIC.

The Clerk should not be responsible for calculation of tax/nic or held liable to indemnify the parish council as ultimately, it's the parish council who would be held liable and potentially fined for not complying with HMRC legislation.

The parish council should register as an employer with HMRC. You can then download basic PAYE tools, free, from the HMRC website. This is relatively easy to use. There are also a number of companies who undertake payroll services.

Paul Elliott and Elliott Accountancy, Market Rasen will be able to assist if required. I can provide contact details if required.

## **ASSET CONTROL**

Asset register has been reviewed.

## **BANK RECONCILIATIONS**

The bank account is reconciled regularly and report to each council meeting.

## **YEAR END PROCEDURES**

No areas of concern.

Annual return correctly signed and submitted in previous year.

Notice of Public Rights correctly published.

## **SUMMARY**

Other than the recommendations with some policies being brought up to date and a couple of new policies the Council is managed well.

I am concerned with the councils treatment of the clerks employment payments as I feel that does open up the council to potential a potential fine from HMRC which could be back dated to up to 6 years and I would recommend that this is dealt with as a matter of urgency.

I'd also like to thank the Clerk for her co-operation and supplying information required to complete the audit in a prompt manner.

Carl Thomas

12<sup>th</sup> May 2023

# Faldingworth Parish Council

## Explanatory Notes to Internal Auditor's Report

Item F – Petty Cash Payments – marked 'Not Covered'. This is because the Council does not make any cash payments, all payments are made by cheque with full accountability through reports to the Council.

Item G – PAYE - The Internal Auditor has drawn the Parish Council's attention to the fact that the present system adopted for accounting for all tax and NI payments due to HMRC on employee's salary and allowances does not accord with HMRC requirements. The Parish Council has noted the position and is urgently seeking to obtain professional assistance to ensure compliance.