

Kirby Cane and Ellingham Parish Council

Internal Audit Report

For Kirby Cane and Ellingham Parish Council

Financial Year 2021/22

Including Explanatory Notes for Annual Return
(where a 'no' has been marked)

Prepared by Catherine Moore
7th May 2022

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I have completed an internal audit of the accounts for Kirby Cane and Ellingham Parish Council for the year ending 31st March 2022. My findings are detailed below using the tests provided in the Governance and Accountability document. I would like to thank the Clerk / RFO for providing me with all the information required for the Internal Audit.

Internal Control	Test	Observations / Recommendations
Proper bookkeeping	Is the cash book maintained and up to date?	Yes
	Is the cash book arithmetically correct?	Yes
	Is the cash book regularly balanced?	Yes
Standing Orders, Financial Regulations, and Payment Controls	Has the Council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	March 2022
	Date Financial Regulations last reviewed	March 2022
	Has a Responsible Financial Officer been appointed with specific duties?	Yes – Parish Clerk
	Have items or services above the de minimus amount been competitively purchased?	N/a
	Are payments in the cash book supported by purchase orders, invoices, authorised and minuted?	Yes
	Has VAT on payments been identified, recorded and reclaimed?	Yes
	Is S137 expenditure separately recorded and within statutory limits?	Yes – see note
	Have S137 payments been approved and included in the minutes as such?	Yes
Risk Management Arrangements	Does a review of the minutes identify any unusual financial activity?	No
	Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme?	Yes
	Is insurance cover appropriate and adequate?	Yes – see note

Internal Control	Test	Observations / Recommendations
	Are internal financial controls documented and regularly reviewed?	Yes – see note
Budgetary Controls	Has the Council prepared an annual budget in support its precept and has this been minuted as being approved?	Yes
	Has the precept been calculated from the budget and been approved?	Yes
	Does the budget include an actual completed year?	Yes
	Is actual expenditure against budget regularly reported to the Council?	Yes
	Has the Council agreed a General Reserve Policy and is this figure reflected in the 'free balance'?	No – see recommendation
	Are there any significant unexplained variances from budget?	No
Income Controls	Is income properly recorded and promptly banked?	Yes
	Does the precept recorded agree to the Council Tax authority's notification?	Yes
	Are security controls over cash and near-cash adequate and effective?	Yes
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices / receipts?	N/a
	Is petty cash expenditure reported to each Council meeting?	N/a
	Is petty cash reimbursement carried out regularly?	N/a
Payroll Controls	Do all employees have contracts of employment with clear terms and conditions?	Yes
	Do salaries paid agree with those approved by the Council?	Yes
	Are salaries above the National Living Wage / Minimum Wage?	Yes

Internal Control	Test	Observations / Recommendations
	Are other payments to employees reasonable and approved by the Council?	Yes
	Have PAYE/NIC been properly operated by the Council as an employer?	No – see recommendation
Asset Controls	Does the Council maintain a register of all material assets owned or in its care?	Yes
	Are the assets and investments registers up to date? When were these last reviewed?	Yes – not dated
	Does the asset insurance valuations agree with those in the asset register?	Yes
Bank Reconciliation	Is there a bank reconciliation for each account and is this reported to Council?	Yes
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes
	Are there any unexplained balancing entries in any reconciliation?	No
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis? (Receipts and Payments or Income and Expenditure)	Yes – Receipts and Payments
	Do accounts agree with the cash book?	Yes
	Has a year-end bank reconciliation been undertaken?	Yes
	Is there an audit trail from underlying financial records to the accounts?	Yes
	Where appropriate, have debtors and creditors been properly recorded?	N/a
Procedural	Is eligibility for the General Power of Competence properly evidenced?	Yes – adopted May 2019

Internal Control	Test	Observations / Recommendations
	Have points raised on the last Internal Audit report been considered by Council and actioned?	Yes
Transparency: For smaller councils with turnover under £25,000	Are minutes for the whole year on the website?	Yes
	Are agendas for the whole year on the website?	Yes
	Are payments over £100 detailed on the website?	Yes – in minutes
	Have electors' rights been correctly advertised on the website, including explanatory notes?	No – see recommendation
	Are councillors' responsibilities detailed on the website?	Yes
	Is the last financial year's Annual Return on the website?	Yes
	Are the land and building asset details on the website?	Yes – asset register
Councils that are Burial Authorities	Are fees levied in accordance with the Council's approved scale of fees and charges?	N/a
	Have fees for the cemetery been reviewed and agreed by the Council?	N/a
	Were comparisons made with other cemeteries prior to setting the fees?	N/a
	Have burial books been kept up to date and are they safely stored?	N/a
Councils with Allotments	Has a list of allotment holders with amounts paid to Council been submitted?	N/a
	Have fees for the allotments been reviewed and agreed by Council?	N/a
Councils with Charities	Are all Charities up to date with Charity Commission filing requirements?	N/a
	Has the Council been named as Sole Trustee on the Charity Commission Register?	N/a

Internal Control	Test	Observations / Recommendations
	Is the Council acting in accordance with the Charity Trust Deed?	N/a
	Are the Charity meetings and accounts recorded separately from those of the Council?	N/a
General Data Protection Regulation	Has the Council adopted a Data Protection Policy?	Yes
	Has the Council put in place Privacy Notices?	Yes
Miscellaneous	Is the Council registered with the Information Commissioners Office?	Yes
	Does the Council's website meet accessibility requirements (random sample)	Yes – see recommendation re: documents

Summary of Recommendations:

The Clerk has been paid gross salary and paid her PAYE contributions directly to HMRC. It is the Council's responsibility as the employer to make PAYE contributions directly, they are required to be deducted at source. This means that in future the Council must deduct tax and national insurance contributions; pay the Clerk the net wage; and pay HMRC directly. For this reason I must tick 'No' to box G of the Annual Return Internal Audit Report.

The Council should set a General Reserve Policy, setting a general reserve of between three and twelve months revenue expenditure depending on the size of the Council. Guidance is available at item 5.32 of the Practitioners Guide 2020.

The period of the exercise of electors rights in 2021 started before the AGAR had been signed off by Council. This was picked up by the external auditor. Therefore I must tick 'No' to Box M of the Annual Return Internal Audit Report and Council must tick 'No' to Box 4 of the Annual Governance Statement.

The Council is required to have a website accessible to WCAG 2.1 standards. A random sample of the page <https://kceparishcouncil.wixsite.com/kcepc/meetings> through WebAIM (<https://wave.webaim.org/>) shows that the website is compliant. A random sample of the March 2022 minutes through Tingtun Checker (<http://checkers.eiii.eu/en/pdfcheck/>) shows that they do not have bookmarks (created from headings in Word) or alternative text for images. These elements assist screen readers in 'reading' the documents / website and should be adopted going forward. I am happy to discuss with the Clerk how this can be achieved.

Notes

The cash book should have a column for recording Section 137 payments, even if none are made.

The Council has agreed an addition 5p per mile allowance, bringing this to 50p per mile. Council should note that the HMRC approved tax free rate is 45p per mile, therefore the additional 5p per mile must be taxed within PAYE.

The Internal Controls document could be strengthened with more reference specifically to how BACS payments are controlled.

The Council may wish to consider an insurance valuation for their building, as a total loss on an underinsured building would mean that the insurance pay out will be reduced by the percentage that it was under insured by.

I have had to tick 'No' to Statement N on Page 4 of the AGAR. The Council blanked out some of the signatures on the AGAR for 2020/21. Part of the publishing requirements is to publish the completed AGAR, which includes the signatures. An alternative signature can be used if those signing do not wish to publish their signatures.

I would like to thank the Clerk for a well presented set of accounts and audit documents.

Signed:..... Date:

Notes to accompany the Internal Audit Report – for PKF Littlejohn

Statement G – the Clerk has been paid the gross salary and is entrusted with paying the PAYE dues directly to HMRC, which is contrary to PAYE rules. The Council has no proof that this has been paid across, and is responsible as the employer in their duties to operate PAYE correctly.

Statement M – the Council set the period of electors rights to begin on 1st July 2021 but did not approve the AGAR until later that month.

Statement N – the Council has blanked out the signatures on the published forms, these signatures form part of the statutory document publication.

Catherine Moore
Internal Auditor
7th May 2022