

# ***Yaxham Parish Council***

Internal Audit Report

For Yaxham Parish Council

Financial Year 2018/19

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

Prepared by Catherine Moore  
18<sup>th</sup> May 2019

Mrs Catherine Moore BSc (Hons), FSLCC  
Jubilee Farm  
Fleggburgh Road  
Rollesby  
Norfolk  
NR29 5HH

01493 749918

[cathmoore1982@gmail.com](mailto:cathmoore1982@gmail.com)

I have completed an internal audit of the accounts for Yaxham Parish Council for the year ending 31 March 2019. My findings are detailed below using the tests provided in the Governance and Accountability (England) 2016.

<b>Internal Control</b>	<b>Test</b>	<b>Observations / Recommendations</b>
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	February 2019
	Date Financial Regulations last reviewed	February 2019
	Has a Responsible Financial Officer been appointed with specific duties?	Yes - 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 – see recommendation
	Is S137 expenditure separately recorded and within statutory limits?	Yes
	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

<b>Internal Control</b>	<b>Test</b>	<b>Observations / Recommendations</b>
	Are internal financial controls documented and regularly reviewed?	Yes
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
	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
	Are other payments to employees reasonable and approved by the Council?	Yes

<b>Internal Control</b>	<b>Test</b>	<b>Observations / Recommendations</b>
	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 – March 2019
	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 <b>or</b> 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?	N/a
	Have points raised on the last Internal Audit report been considered by Council and actioned?	One outstanding (PAYE)
Transparency: For smaller	Are minutes for the whole year on the website?	Yes

Internal Control	Test	Observations / Recommendations
councils with turnover under £25,000	Are agendas for the whole year on the website?	Yes
	Are payments over £100 detailed on the website?	Yes – minutes
	Have electors' rights been advertised on the website?	Yes
	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
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	Have Charities reported and accounted separately?	Yes
	Have Charity accounts been independently audited?	Yes
	Have the Charity accounts and Annual Return been filed within the legal time limit?	Yes
General Data Protection Regulation (*compliance from 25/05/2018)	Has the Council adopted a Data Protection Policy?	Yes
	Has the Council carried out an information audit?	Yes
	Has the Council put in place Privacy Notices?	Yes

Internal Control	Test	Observations / Recommendations
	Has Data Protection been built into the general procedures, processes and policies of the Council?	Yes

**Summary of Recommendations:**

- I note that the Council still has not registered for PAYE. The Council has an obligation to do this, and should have done so on receipt of last years report. This needs to be dealt with as a matter of urgency, as it affects the new Clerk who will have to complete a personal tax return at the end of 2019/20 to account for the earnings until the Council is registered. Even when earnings are below the limits for tax or NIC deductions, the Council must still register for PAYE and make the relevant returns, as many Clerks work for more than one employer and may be liable to 20% tax (as the most recent Clerk was). If HMRC were to carry out an inspection, the Council may be liable to repay the unpaid tax in this instance, as it was not lawful to engage the Clerk on a self-employed basis. I note that the locum Clerk was engaged on a self employed basis which is acceptable as she was considered a temporary contractor. I note that this was also raised by the external auditor for 2017/18.
- The Council received a refund of £100.65 relating to a Linux package which included £16.77 VAT. This was not accounted for in the January VAT return, so the next return should be adjusted accordingly.
- I note that the Council has retained the ownership of the Portakabin from the minutes in October 2018. A lease has been entered into with YVAA which satisfies the requirements of the VAT issue reported last year.
- I note that the Council issued some 'supplementary agendas' in June and July. The July supplementary agenda was issued on 23<sup>rd</sup> July 2018, with the meeting taking place on 26<sup>th</sup> July 2018. This only gave two clear days notice ('clear days' cannot include the day of publication, the day of the meeting, or Sundays or Bank Holidays) therefore any substantive decisions taken at that meeting that were not notified on the original agenda would be considered unlawful.

Signed:.....

Date: .....