

INTERNAL AUDIT REPORT – Fernwood Parish Council

System: Payroll

Auditor: Ken Goddard

Date: November 2022

Control Objective 1: To ensure all payroll processing since the last audit has been carried out correctly

Ref	Expected Control	Actual Control	Findings & Recommendations	Council's Response And Date of Implementation
1.1	Payroll operations are carried out by 2 officers.	The payroll is prepared by the Parish Clerk.	The payroll for the 3 members of staff is processed by the Parish Clerk. RECOMMENDATIONS: The Clerk and I discussed inserting another control over the production and payment of salaries, bearing in mind it is the single biggest item of expenditure – almost equal to the precept.	Calculation of wages shall be signed off by a Councillor at the beginning of each financial year/whenever there is a change in salaries/staff.
1.2	Before the credit transfer is made, figures are matched against the payroll figures.	This is included in the Bills for Payment to Full council on a monthly basis and depending on the date of the meeting can be retrospectively	Councillors see a breakdown of the budget costs to date on a regular basis and can see whether or not the payroll costs are in keeping with the budgeted amounts.	None required
1.3	All overtime claims are approved before payment.	The Parish Clerk approves all overtime claims.	Any overtime is covered by TOIL. There was no overtime for the months selected for detailed testing.	None required

1.4	The Internal Auditor checks for accuracy the payroll run including any pay rise.	This was carried out during the audit	The payroll runs for June and September 2022 were selected for testing and checking. Both runs were found to have been correctly processed.	None required
1.5	All staff leaving the Council are removed from the payroll	Staff who leave are paid through the payroll up to their day of departure and are then removed from the payroll for succeeding months.	No staff left the Council during the periods under review.	
1.6	The software and data is backed up to facilitate recovery of files.	The payroll data and software together with all, other data and software is stored in the Cloud.	All software and data are stored in the Cloud overnight.	None required
1.7	All starters and promotions are approved by the Parish Council	Recommendations are made to Members for all new employees and promotions are submitted to the Parish Council for approval.	Minutes were seen authorising the increase of hours for the Clerk and the appointment of an assistant.	None required

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Control Objective 2: To ensure that all statutory and voluntary deductions are correctly deducted and paid away.

Ref	Expected Control	Actual Control	Findings & Recommendations	Council's Response and Date of Implementation
2.1	All Income Tax and NI contributions are deducted from gross salary	Statutory deductions are made from gross or taxable pay.	All statutory deductions were made in the June and September payroll runs.	None required
2.2	Income Tax is calculated using the latest advice from the Inland Revenue	Statutory deductions are made according to advice received from Central Government	Evidence was seen that the latest tax codes for staff are being used in the payroll processes.	None required
2.3	Income Tax, employee NI and employer NI contributions are forwarded to the Inland Revenue by the deadline date.	Forwarded to Inland Revenue each month.	NI (ee), NI (er) and income tax for the two months tested, were correctly sent to HMRC according to the bank statements.	None required

2.4	All occupational pension contributions by the employee are matched with an agreed amount from the employer.	Employer contributes 20.2% plus a fixed sum of £200.00 each month.	The employer contributions were correctly calculated and the return included the £200 each month.	None required
2.5	All occupational pension scheme deductions were made at the correct rate.	Employees' contributions based on a sliding scale.	The pension deductions were based on the official sliding scale.	None required
2.6	All pension deductions are forwarded to the pension provider	All deductions for pension are made to Notts County Council.	Superannuation payments were correctly forwarded to NCC according to the bank statements, for the two months selected for examination	None required

INTERNAL AUDIT REPORT

Fernwood Parish Council

System: VAT Returns

Auditor: Ken Goddard

Date: November 2022

Control Objective 3. To ensure that VAT is accounted for correctly on sales and purchases, and VAT Returns are submitted promptly to HMRC.

Ref	Expected Control	Actual Control	Findings & Recommendations	Council's Response and Target Date
3.1	The Accounting System holds all the current VAT rates.	When there is VAT rate change, the file in the Council's spreadsheet is updated.	The Council is not registered for VAT.	None required

3.2	VAT is correctly identified on all sales and purchase transactions	On all sales and purchase transactions the gross amount is entered for each good/service and the computer automatically calculates the VAT using the appropriate rate indicated by the operator. The invoice will show the split between the net and VAT amounts.	VAT was paid on 17 of the 69 purchases from April - July 2022 chosen for testing. These were traced forward to the VAT return and were found to have been correctly included in the Vat return.	None required
3.4	VAT is correctly accounted for when making the VAT returns to HMRC.	The Accounts system includes all VAT elements from the sales and purchase ledgers when producing the VAT returns.	The 17 purchase items selected for testing all had the correct VAT amount on the invoice.	None required
3.5	Any VAT refunds are received by the Council.	HMRC refund any monies owed to the Council in respect of Vat.	The VAT claimed at the end of August 2022 of £2002.28 was received on 15 August.	None required

System: Bank Reconciliations

Auditor: Ken Goddard

Date: November 2022

Control Objective 4: To ensure regular control over bank accounts is achieved through bank reconciliations

Ref	Expected Control	Actual Control	Findings & Recommendations	Council's Response & Target date
4.1.	Only bank accounts authorized by the Council are used for Council business	The Council operates a number of current accounts with UNITY, Trustee Savings Bank and deposit accounts with Nationwide and Redwood and the CCLA Deposit Account	Bank statements from all the used current accounts were seen during the audit. RECOMMENDATION I did discuss with the Clerk the advantages of using just one (or perhaps a second) current account as this would facilitate control over the bank accounts used by the Council and would help with the monthly bank reconciliations. Analysis of costs and incomes can be easily carried out by the use of cost codes once the new IT system SCRIBE is installed.	Clerk: Agreed! I will raise this with the Council in November 2022 and if agreed tackle this straight away. This is a good time to do this as we will be moving to SCRIBE accounts for the next financial year. This will mean reporting by cost centre will be simple; previous clerks had tried to split Village Hall and PC costs by having separate bank accounts.
4.2	Specimen signatures are held by the bank.	All authorised signatories have submitted specimen signatures to the bank.	All	None required
4.3	Reconciliations are carried out of bank accounts by someone independent of officers who are responsible for deposits into and withdrawals out of these bank accounts	Bank reconciliations are carried out by the Parish Clerk.	The bank reconciliations for June and September 2022 were examined and found to have been correctly reconciled. RECOMMENDATION: It was suggested that a printout of the cash sheets to which the bank statements are reconciled is attached	Agreed. This will be implemented from December 2022.

			to the reconciliation sheets so that the Officers approving the accuracy of the reconciliation can see the figure from the cash book used in the reconciliation.	
4.4	All unreconciled items from previous months are investigated.	All outstanding items from one month's reconciliation are resolved during the next reconciliation.	There were no unreconciled items found during the audit.	None required

INTERNAL CONTROL QUESTIONNAIRE - Fernwood Parish Council

System: Budgets

Auditor: Ken Goddard

Date: November 2022

Control Objective 5. To ensure that the Council has adequate Management over its Budget.

No	Expected Control	Actual Control	Test Findings & Recommendations	Council's Response
5.1	A detailed budget is produced each year	The Clerk prepares a proposed budget for the following year near the end of the calendar year and after informal discussions with members, the full Council considers and approves the budget and the precept.	At their meeting on 17 January 2022, the Council approved the budget for the 2022-2023 year setting the precept at £80,948. The budget figures are split under the various cost codes for both income and expenditure.	None required

5.2	Members are kept informed of progress throughout the financial year.	Summary financial figures are seen by the full Council.	Members are kept fully informed as to progress of actuals against budgets with an explanation of any excesses.	None required
5.3	The budget is split under various operating headings	The budget was split over the various operating heads.	The budget was seen during the audit and the split over the various budget heads was confirmed.	None required

INTERNAL AUDIT REPORT – Fernwood Parish Council

System: Purchase Ledger

Auditor: Ken Goddard

Date: November 2022

Control Objective 6. To ensure all payments made for goods/services are authorised and legitimate.

6.1	There are guidelines to be followed when purchasing goods/services for the Council.	There is a policy statement regarding purchases.	There is a policy statement in existence in Financial Regulations, 9. Orders for work, goods and services	None required
6.2	Invoices are stamped and their details entered onto financial records.	All invoices are stamped and initialled as being checked.	The selection of 17 purchase invoices selected for testing all had a stamp on with the initials of the officers and Members who checked and approved payment.	None required
6.3	Payment is authorized by Members.	All payments are submitted to the Full Council or Members.	Two Members authorize all payments, seen during the audit.	None required

INTERNAL CONTROL QUESTIONNAIRE

System: Investments

Auditor: Ken Goddard

Date: November 2022

Control Objective 7: To ensure that the Council has effective management controls over its investments

No	Expected Control	Actual Control	Test Findings & Recommendations	Council's Response and Target Date
7.1	The Council has an investment policy document detailing the Council's strategy regarding the investment of funds.	The Council has a policy that determines the procedures to be followed in investing surplus monies for the Council.	The Council's Investment Policy statement was seen during the audit.	None required.
7.2	Regular reports on investments, and their returns are submitted to a managing body	Interest earned on investments with CCLA are reported periodically to the Council.	Interest from the deposits accounts with Nationwide and Redwood Bank is received and banked correctly as is the interest received from the investment with the CCLA. Interest payments were received from CCLA on 2 September (£549.00) and on 3 October (£574.95) according to the bank statements.	None required.
7.3	When funds are moved into and out of interest bearing accounts, they should be approved by those authorised so to do.	Movements into and out of the CCLA saving account are approved in advance by Members and then acted upon by the Parish Clerk.	Evidence of this was seen during the audit.	None required.

INTERNAL CONTROL QUESTIONNAIRE

System: Asset Management

Auditor: Ken Goddard

Date: November 2022

Control Objective 8: To ensure registers of assets are adequately maintained.

N o	Expected Control	Actual Control	Test Findings & Recommendations	Council's Response and date for Implementation
8.1	A statement exists explaining the Council's Policy regarding the management of assets	Section 14 of Financial Regulations explains the policies regarding management of assets	Section 14. Assets, properties and estates of the Financial Regulations was seen during the audit.	None required
8.2	All assets are purchased with proper budget approval	All purchases for capital assets are approved in advance by the Members.	All capital purchases are approved under the annual budget processes.	None required
8.4	A register is maintained of all assets	A financial asset register is maintained.	The last internal audit report suggested that the asset register did not provide sufficient detail. I noted that the current asset register had been updated to meet with this requirement.	None required.
8.5	All assets are included in the Council's insurance policies	Regular valuations are carried out for insurance purposes.	These are carried out and the insurance policy kept in line with present valuations. The current policy with Zurich cost £289.	None required.

INTERNAL CONTROL QUESTIONNAIRE

System: Risk Management

Auditor: Ken Goddard

Date: November 2022

Control Objective 9: To ensure that the Council has identified and assessed the impact of all risks that might prevent the achievements of its objectives

No	Expected Control	Actual Control	Test Findings & Recommendations	Council's Comments and Target Date
9.1	The Council has a formal written risk management strategy document	The Council has an existing Risk Assessment Policy which has just been updated, reviewed and approved on 13 February 2020.	The current Risk Register was reviewed and adopted by the Council on 18 January 2022-	None required
9.2	The Risk document addresses all likely risks to the Council's provision of public services.	All key areas of the Council's services are listed.	All key areas were included and a matrix prepared to show for each risk the Impact, Likelihood, Overall Rating and frequency of Review.	None required
9.3	All risk areas are included in the risk management strategy document.	There is an area that could be considered for inclusion to the document.	RECOMMENDATION I could not find any reference to a Disaster Recovery Plan in the Risk Register.	Agreed; this is something we need. Clerk to draft a policy for the Council to consider. Feb 2023

INTERNAL CONTROL QUESTIONNAIRE

System: Income

Auditor: Ken Goddard

Date: November 2022

Control Objective 10 : To ensure all income is correctly received and banked.

No	Expected Control	Actual Control	Test Findings & Recommendations	Council's Comments and Target Date
10.1	All monies received is receipted and banked on a timely basis.	Most bookings for room hire etc, are paid for in advance mainly by BACS.	This was evidenced during the audit.	None required
10.2	There is a follow-up procedure to chase non-payers.	A list is maintained of all outstanding debtors and regular contact is made to encourage payment either in full or by instalments.	A copy of each invoice is kept in date order and filed when payment has been received. Outstanding payments are followed up regularly.	None required