

KG ENTERPRISES

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Fernwood Parish Council
c/o Parish Clerk
Fernwood Village Hall
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Dear Members:

To: Members Fernwood Parish Council.

As instructed by the Parish Clerk, I have carried out the second stage of the annual internal audit review of the Council's systems of internal control. There were two objectives behind the review:

1. To enable me next year to sign off the year-end Annual Internal Audit Report 2022-2023;
2. To assure Members that there are adequate systems of internal control in place and are being complied with.

I am pleased to report that no exceptions have been found in the testing carried out and recommendations made in the previous report have been satisfactorily addressed. I have attached a full report of my findings for your consideration. Based on the areas already covered, I am of the opinion that adequate systems of internal control are in place and are being followed effectively. I believe that the high level of financial administration will be further enhanced when the new Scribe accounting system is up and running during the 2023-2024 financial year. Accordingly I am pleased to confirm that I have completed and signed off the Annual Internal Auditor's Report for the year 2022-2023.

As it was my first year of auditing the Council's accounting processes and documents, I was very much dependent on the advice and consideration of the Clerk, and I wish to put on record my appreciation for the assistance rendered me during the audit.

Sincerely

Ken Goddard
Internal Auditor
Thursday, 06 April 2023

INTERNAL AUDIT REPORT – Fernwood Parish Council

System: Payroll

Auditor: Ken Goddard

Date: April 2023

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.	None required
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 February 2023 was selected for testing and checking. The run was 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 in hours for the Clerk and the appointment of an assistant. Pay calculations for the 2022-2023 year were approved and signed off by Cllr Ryan Cullen, vice-chair on 14 November 2022.	None required

INTERNAL AUDIT REPORT – Fernwood Parish Council

System: Payroll

Auditor: Ken Goddard

Date April 2023

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 correctly in the February 2023 payroll run.	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 month tested, were correctly sent to HMRC according to the bank statements. The amount of £1,219.88 was paid to HMRC on 28 February 2023 according to the bank statement.	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 for February 2023 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 month selected for examination. An amount of £1,553.94 was transferred to NCC on 28 February 2023 as per the bank statement.	None required

INTERNAL AUDIT REPORT

Fernwood Parish Council

System: VAT Returns

Auditor: Ken Goddard

Date: April 2023

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 up-dated.	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.	VAT was paid on 9 purchases chosen out of 13 in February 2023 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 9 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 up to the end of February 2023 amounted to £4,353.40 and was received on 14 March 2023 as per the bank statement.	None required

INTERNAL AUDIT REPORT

Fernwood Parish Council

System: Bank Reconciliations

Auditor: Ken Goddard

Date: April 2023

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. The Redwood account and the Nationwide account have been closed and their balances transferred to the CCLA investment account. Further bank account closures are planned to make the process of banking monies easier and to facilitate the monthly bank reconciliations.	None required

4.2	Specimen signatures are held by the bank.	All authorised signatories have submitted specimen signatures to the bank.	All have been submitted to the banks.	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 February and March 2023 were examined and found to have been correctly reconciled. Both were signed off by Members.	None required
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: April 2023

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	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	None required

		considers and approves the budget and the precept.	various cost codes for both income and expenditure.	
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. A mid-year report was submitted to Members on 17 October 2022 showing budget figures to the end of September. A summary was also included to explain any variances.	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: April 2023

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 18 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
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INTERNAL CONTROL QUESTIONNAIRE

System: Investments

Auditor: Ken Goddard

Date: April 2023

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 received from the CCLA investment account was as follows: December 2022 - £1,643.59 received 4 January 2023; January 2023 - £2882,61 received on 2 February 2023; February 2023 - £2804.24 received 3 March 2023.	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	Evidence of this was seen during the audit. £85,000 was transferred to the CCLA investment account from the closed Redwood account on 6 March 2023.	None required.

		Members and then acted upon by the Parish Clerk.	£85,000 was also transferred from the Nationwide B/S Account on 9 March 2023; Confirmation of these transfers was seen on file during the audit.	
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INTERNAL CONTROL QUESTIONNAIRE

System: Asset Management

Auditor: Ken Goddard

Date: April 2023

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

No	Expected Control	Actual Control	Test Findings & Recommendations	Council's Response and target date
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. The total assets recorded stand at £1,103,585.	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	None required.

			current policy with Zurich cost £289 from 1 June 2022 to 31 May 2023.	
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INTERNAL CONTROL QUESTIONNAIRE

System: Risk Management

Auditor: Ken Goddard

Date: April 2023

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.	I was pleased to see a Business Continuity Plan has been developed and added to the Risk documents. This was reviewed during the audit and was found to be satisfactory.	None required
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INTERNAL CONTROL QUESTIONNAIRE

System: Income

Auditor: Ken Goddard

Date: April 2023

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. During the audit, 13 transactions in February 2023 were selected for examination. All payments received were traced back to the bank statements and all had been paid in correctly and in a timely manner	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