

Mrs Anne E. Barnes FSLCC
Internal Auditor
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Norwich
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June 18, 2021

Mrs S. Bunn
Clerk to Gt. Moulton Parish Council
Tahuti Mai
Bunwell Street
Bunwell
NR16 1SH

Dear Chairman and Councillors,

Internal Audit Report to Gt Moulton Parish Council for Year Ended 31 March 2021

For the Attention of the Council

A. Appropriate accounting records have been kept properly throughout the year.

I have inspected the Council's records to 31st March 2021. I have examined your cashbook and found it to be maintained and up to date, correct and regularly balanced. I have also examined your invoices and bank statements and compared these to your Receipts and Payments account and your accounts in the Minute Book. I note that all payments by Barclays Bank are correctly authorised.

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

I have examined your invoices as presented to me and note that they have been approved by the Council and VAT was properly accounted for.

Despite my raising the issue at the last Internal Audit, the VAT has still not been reclaimed for 2019/20 or 2020/21 and will not be reclaimed until 2021/22.

C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Review of the Effectiveness of Internal Audit

I note that the Council has not reviewed its internal audit procedures and that not all the procedures put in place have been applied. Your Statement of Internal Controls states under 'Payroll Controls'

- The Clerk is paid under PAYE as an employee and the necessary system of HMRC RTI is in place.
- The Clerk's salary is set by the Council and minuted as such.
- The RFO will ensure that all necessary payroll returns are made to HMRC and will retain evidence that this has been done.

The Council has failed on all these points and PAYE has not been operated despite me raising this issue at the last 2 Internal Audits. The Clerk declared at the Meeting on 30 July 2020 that this was being set up but, despite this, has not operated PAYE and no payroll returns have been made to HMRC.

Standing Orders and Financial Regulations adopted and applied

I note that your Standing Orders were reviewed in May 2021 and Financial Regulations were reviewed in August 2020.

Insurance

I have reviewed the Council's insurance with Zurich Municipal to ensure the insurance cover is adequate. The cover is from 1 September 2020 to 31 August 2021.

D. The Precept or Rates requirement resulted from an adequate budgetary process; progress against the Budget was regularly monitored; and reserves were appropriate.

I have had sight of the Budget for 2020/21 and Budget 2021/22 and confirm that the Precept was agreed through an adequate budgetary process. The budget was reviewed against actual, and reserves have been reviewed and increased and are appropriate. The Precept of £7,000 is recorded in the January 2021 Minutes.

Section 137

Section 137 Expenditure has been separately recorded in the cashbook and at £17 is within your statutory limits.

E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Income Controls

I note that all income is recorded and banked properly, and the Precept agrees with the Parish Council's notification to the Council Tax authority. The Parish Council has very few cash transactions and adequate controls are in place to minimise any loss.

VAT Payments Controls

I confirm that all VAT expenditure has been recorded separately but has not been reclaimed at regular intervals as noted above.

- F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved. and VAT appropriately accounted for.**

Petty Cash Procedures

I note that the Parish Council does not operate a petty cash system.

- G. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied.**

Payroll Controls

I have not examined the PAYE for the Clerks Salary and the Clerk is claiming she is self-employed. Parish Clerk's cannot be self-employed and you have quite correctly issued the Clerk with a Contract of Employment. PAYE has not been properly operated by the Council as an employer. Please see my note above.

This situation must be rectified as the Council has a legal responsibility to operate PAYE for any employees and to issue them with a payslip (which is now generated by HMRC's Basic Tools).

- H. Asset and investments registers were complete and accurate and properly maintained.**

Asset Controls

I have examined the Council's Asset Register and note that the assets have been reviewed and items purchased and disposed of recorded by the Council.

- I. Periodic and year-end bank account reconciliations were properly carried out.**

Bank Reconciliation

I have examined the Bank Statements and the Receipts and Payments Book and confirm that there is a Bank Reconciliation for the two Barclays accounts. The reconciliation is carried out monthly and explanations entered for any un-reconciled amounts or outstanding cheques. The total value of the investments is summarised on the reconciliation.

- J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail**

from underlying records and where appropriate debtors and creditors were properly recorded.

Year-End Procedures

I can confirm that the year-end accounts are prepared on a Receipts and Payments basis and that the accounts agree with the cashbook with an appropriate and adequate audit trail.

I note that the Council has completed the Annual Governance and Accountability Return 2020/2021 Part 2 where the higher of gross income or gross expenditure was £25,000 or less and that the Council has certified themselves as exempt from a limited assurance review.

K. IF the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")

The Parish Council certified itself as exempt from a limited assurance review in 2019/20, met the exemption criteria and correctly declared itself exempt.

L. The authority publishes information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency Code for smaller authorities.

I have examined your website, www.greatmoultonpc-wixsite.com and found that it has met the requirements of the Transparency Code and all relevant documents are published on the website at the date of this audit.

M. The authority, during the previous year (2019-20) correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).

I have examined your website and noted the Exercise of Public Rights statement.

N. The authority has complied with the publication requirements for 2019/20 AGAR (see AGAR Page 1 Guidance Notes).

I can confirm that the Council has complied with the publication requirements for 2019/20.

- O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.**

The Parish Council has no trusts.

Matters for the Council's Attention

I have two urgent matters for the attention of the Council.

- 1. VAT has not been reclaimed for the last 2 years. Please ensure that this is completed in 2021/22 and insist on seeing the VAT Reclaim Form and note the income being received.**
- 2. PAYE has not been operated in 2019/20 or 2020/21. The Council has a legal duty to operate PAYE and if it fails in its duty, it may be liable for any Tax due. It is vitally important that you ensure the Clerk applies to HMRC for login details and downloads the Basic Tools programme. I would advise you to declare to HMRC the amount of salary you have paid to the Clerk during 2020/21 and to advise them that PAYE has not been operated on this amount. You should follow this up within the next two months and request to see the Employee Payment Record and the Employer Payment Record from Basic Tools. You should also request to see each month the Basic Tools produced Payslip for the Clerk. You may have to declare all the salary paid since 1st April 2021.**

Please ensure that both these items are completed before the next Internal Audit.

Yours sincerely,

Mrs A.E. Barnes FSLCC