

# **UPCHURCH PARISH COUNCIL**

## **INTERNAL AUDIT REPORT 2016-17**

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I am pleased to report to Members of the Parish Council that I have completed my internal audit of the Parish Council's records for 2016-17 and have been able to complete Section 4 of the 2016-17 Annual Return.

Members should be aware that the audit tests that I undertook during the audit cannot be relied on to identify the occasional omission or insignificant error, nor to disclose breaches of trust or statute, neglect or fraud which may have taken place and which it is the responsibility of the Members of the Council to guard against through the Parish Council's internal control procedures.

Members will be pleased to know that I found the record keeping to be of a good standard and the Parish Council's approach to the management of risks to be sound. As a result of my audit and my discussion with your Clerk I was able to answer 'YES' to most of the relevant questions contained in Section 4 of the Annual Return for 2016-17 except for item G where my answer is "NO".

I would like to take this opportunity to thank your Clerk for the assistance given to me in the conduct of the audit that took place on 22 May 2017.

### **PREVIOUS AUDITS:**

#### **External Audit Certificate 2015-16:**

The External Audit Certificate for 2015-16 (Section 3 of the Annual Return) was unqualified and without comment.

I was unable to locate a minute indicating that the auditor's report/certificate had been reported to or considered by the Council. It is now a statutory requirement (Accounts & Audit Regulations 2015) that reports from the external auditor at the conclusion of an audit are to be considered by the Council. This consideration is by the whole Council. In my view the best way of complying with the Regulations is for the report to be taken to a council meeting as a listed agenda item and that the council's consideration of it is formally minuted.

#### **Internal Audit 2015-16:**

There are no matters outstanding from the 2015-16 audit.

### **FINDINGS THIS VISIT:**

During the visit I carried out sufficient work to enable me to complete Section 4 of the Annual return which included reading the minutes, checking the accounting records including the cashbook, payroll, VAT records, bank statements and bank reconciliations with the cashbook. I also reviewed the asset register and insurance schedule.

I found all the financial records to be accurate and up to date. There were no unexplained entries in the bank reconciliations.

In reviewing the minutes I noted that the council had delegated the final setting of its precept for 2017-18 to the Finance Working Party. This is unlawful, setting the precept is a matter reserved to the Council under s101(6) Local Government Act 1972. Incidentally adopting the annual budget is likewise a matter reserved to the Council.

In March 2011 HM Revenue & Customs issued (then) new guidance on the employee status of parish clerks. The Council pays its current clerk monthly by direct debit one twelfth of the calculated gross salary without deduction of tax. The Clerk manages her own tax arrangements. In my view the Council is failing to comply with HMRC's guidance that all clerks should be covered by PAYE and is thus failing in its duties as an employer. It is for this reason that I entered "NO" in item G of section 4 of the annual return. The Council should note that it, as the employer, is liable for any error and HMRC would be entitled to pursue the Council for any underpayment of tax and would further be entitled to levy penalties on the Council.

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The asset list provides a summarized list of assets with values supporting the entry for assets on the annual return. In my view it could be made more useful as a management tool were details added indicating references to documents and files or where images of assets were stored. The additional details are partly for succession planning (a trail should the clerk be unavailable) but also to assist in managing the assets and in risk reviews.

**Lionel Robbins  
Independent Internal Auditor  
30 May 2017**