

## Annual Internal Audit Report

(to be read in conjunction with Section 4 of the Annual Return)

Name of council:	Evenley Parish Council		
Name of Internal Auditor:	John Marshall	Date of report:	19.05.2017
Year ending:	31 March 2017	Date audit carried out:	18.05.2017

*Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the staff and management and not left for internal audit. This report is based on the evidence made available to me. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. Consequently the report is limited to those matters set out below. **The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.***

### To the Chairman of the Council:

I carried out the year-end audit on 18 May; I would take this opportunity to thank the Clerk / RFO, Cathy Knott for her time and assistance. Last year, no audit issues were raised by either BDO as External Auditor; issues identified by me either have or are being appropriately addressed and resolved.

As a result of this year's audit, I would draw the Council's attention to the following issues;

- I noted that the Council is not currently complying fully with reg 2.1 of its Financial Regulations that establishes the regime for internal controls, viz specific quarterly checks by the Internal Controls Councillor with the outcome then reported to the Council and recorded in a minute. Whilst I saw evidence of the checks and reports being carried out routinely prior to or at the monthly meeting, there was no record of this or any other checks in the Minutes, important in terms of the requirements of the Transparency Code.
- I noted that payments to HMRC apparently ceased part-way through the year, with no payments being recorded after the 04 July meeting, probably for the previous Clerk. HMRC rules setting out the correct income tax and NIC treatment of parish clerks make it clear that as an office holder, the Clerk is subject to PAYE, so cannot be paid gross and tax must be deducted; see para 5.46 of 'Governance and Accountability for Smaller Authorities in England, the Practitioners' Guide (March 2017 edition)\*.

In discussion with Cathy, it is clear that confusion arose as a result of a telephone conversation with HMRC soon after taking up post, due to her salary being below the threshold at which tax (and NIC) become payable. I should state that I do not consider there to have been any deliberate wrong-doing on anyone's part, however I am surprised that this discrepancy and cessation of payments was not identified during the course of the year.

The Council now needs to consider urgently how this (continuing) matter should be resolved; note, the duty to ensure compliance with HMRC rules lies with the Council. Previous experience of encountering this type of issue shows that using the services of a payroll service provider is beneficial, not only because they are viewed by

HMRC as an 'honest broker' in remedying the current irregularity and under payment, but also going forward, where having salary and deductions calculated and accounted for by a third party rather than the beneficiary is a positive aid to good governance, proper financial management and transparency. Details of a local payroll service provider used by several parish councils and endorsed by NCALC has been provided to the Clerk.

Notwithstanding these comments, I am satisfied that effective systems to manage, monitor and control the Council's business are in place. By examination of hard evidence and questioning, I tested all the aspects of the Council's internal controls that I am required to consider at Section 4 of the Annual Return and I have completed and signed off section 4 of the Annual Return as required.

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 Internal Auditor to the Council  
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The figures submitted in the Annual Return are:

	Year ending 31 March 2016	Year ending 31 March 2017
1. Balances brought forward	24,278	24,105
2. Annual precept	13,411	13,813
3. Total other receipts	2,825	3,900
4. Staff costs	3,057	5,716
5. Loan interest/capital repayments	0	0
6. Total other payments	13,352	12,397
7. Balances carried forward	24,105	23,705
8. Total cash and investments	24,105	23,705
9. Total fixed assets and long term assets	85,910	85,910
10. Total borrowings	0	0

\*The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2017)*. It is a guide to the accounting practices to be followed by local councils, and sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

<http://www.northantscalc.com/uploads/practitioners-guide-2017.pdf>