

Annual Internal Audit Report

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

Name of council:	Thorpe Malsor Parish Council		
Name of Internal Auditor:	John Marshall	Date of report:	16.06.15
Year ending:	31 March 2015	Date audit carried out:	16.06.15

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. It is important to note that managing the council's internal controls is a day-to-day function of the council through its staff and councillors and 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. This report is based on the evidence made available to me and 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 met with Joan Smart, Clerk and RFO on 16 June to carry out the year-end audit of the Council; I would take this opportunity to thank Joan for her time and assistance.

The Council, comprising 5 elected members meets bi-monthly and is a small-scale operation with a low level of business activity; there were just 9 transactions during the audit year. A number of audit issues were noted as requiring attention and whilst, at first site these might appear overly bureaucratic and burdensome, they go to the heart of good governance and democratic accountability and are therefore important. This is especially the case in the light of the government's recently introduced Transparency Code for Smaller Authorities, (**see the link at the foot of this report) that applies to all Councils with a turnover of less than £25,000, including Thorpe Malsor PC. Issues noted were as follows;

- I understand that the Council currently does not have core documentation in the form of Standing Orders, Financial Regulations and a Financial and Management Risk Assessment in place. The first two of these can be easily derived from model documents produced by the Legal Dept of the National Association of Local Councils (NALC) and simply need to be customised by you to suit the individual needs of the Council. The template documents, that contain instructions on how to manage the download and customisation have been sent to the Clerk. I have also provided an example of a template Risk Assessment that may be suitable and that can similarly be customised.
- whilst the processes of setting the budget and precept were properly conducted, the Minutes of the December 2014 meeting when these issues were discussed do not expressly mention either the total budget figure or direct the reader to where this information can be found. Councils are legally required to set a budget and because it involves public money, raised from the community via the precept it is appropriate to demonstrate explicitly and fully, through the Minutes that this has been done.
- the Asset Register should be reviewed annually, at the same time as the review of insurance cover held by the Council (even when the Council is in a multi-year agreement) to ensure that the former is up to date and the latter appropriate and adequate.

- some of the values entered in section 1 of the Annual Return and approved by the Council will need to be restated, because the value (£879) entered in Box 1 for the current year does not agree with the value (£1,025) in box 7 for the previous year. The reason for the error was not readily apparent but needs to be identified and corrected before submission to BDO as External Auditor.
- the council is not currently registered with HMRC for PAYE purposes. Despite the level of remuneration paid to the current Clerk being well below the basic rate tax threshold, HMRC guidance issued in March 2011 confirms that the Clerk is an office holder and that all office holders are subject to PAYE. The guidance sets out the correct income tax (and NIC) treatment of parish clerks which means, to quote *verbatim* that parish clerks;
 - can never be considered as self-employed for tax or NIC purposes;
 - cannot be paid 'gross'; and
 - fail to be taxed under PAYE
 A scanned copy of the HMRC guidance has been provided to the Clerk. Local experience indicates that it may be possible for a clerk to negotiate with HMRC based on the individual's personal tax position, but it is very important for the Council to note that, for the reasons set out in the guidance it is the Council, not the Clerk that must be registered with HMRC.
- Governance issues.
 - a) whilst a Chairman was correctly elected at the annual meeting of the Council in May, this was the fourth rather than the first item of business on the Agenda. By law, a council is not properly constituted until it has appointed its chairman, which is why the appointment must be the first item of business at the annual meeting.
 - b) the Council e-mail contact is via the Clerk's personal e-mail account. The majority of correspondence is now via e-mail and thus in the event of the Clerk ceasing employment, the Council's corporate history and knowledge is located in a private, potentially inaccessible account. It would be advisable to consider obtaining an account in the name of the Council eg thorpemalsorpc@gmail.com (if available) or similar, to which access can be transferred if, as and when necessary.

I tested all of the objectives of Internal Controls set out in Section 4 of the Annual Return, through the examination of physical evidence and questioning. In some instances, where the objective tested covers multiple issues, I have answered 'yes' even where shortcomings have been noted, because the objective has been partly met. Accordingly, as noted on the form, this Internal Audit report must be submitted to BDO with the Annual Return. I have signed off the Return as required. Should you have any questions or wish to discuss the report then please feel free to contact me.

John Marshall
 Internal Auditor to the Council
 07505 139832
wjm.marshall1@gmail.com

The figures submitted in the Annual Return are:

	Year ending 31 March 2014	Year ending 31 March 2015
1. Balances brought forward	930	879
2. Annual precept	Nil	2,000
3. Total other receipts	1,139	1,098
4. Staff costs	400 85	400 181
5. Loan interest/capital repayments	Nil	Nil
6. Total other payments	559	687
7. Balances carried forward	1,025	2,708
8. Total cash and investments	1,025	2,708
9. Total fixed assets and long term assets	20,550	20,550
10. Total borrowings	Nil	Nil

*** The 'proper practices' referred to in the Accounts and Audit (England) Regulations 2011 as amended are those set out in the publication "Governance and Accountability for Local Councils, A Practitioners' Guide (England) March 2014" available at**

<http://www.nalc.gov.uk/library/publications/803-governance-and-accountability-with-appendix/file>

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388541/Transparency_Code_for_Smaller_Authorities.pdf