

## Internal Audit Report 2019-20

### Selworthy & Minehead Without Parish Council

#### Introduction

Hillside Business Services has completed an Internal Audit, in order to verify the Annual Governance and Accountability Return (AGAR) for Selworthy & Minehead Without Parish Council, for the financial year ending 31st March 2020.

This work has been undertaken by reviewing records and other documentation provided by the Parish Council, including; accounting records, bank statements, policies, minutes, invoices, receipts.

Findings identified during Internal Audit testing have been listed in the table below, along with recommendations on how improvement can be made.

#### Conclusion

I can confirm that, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of Selworthy & Minehead Without Parish Council. The table of findings and recommendations below highlights two areas of non compliance in respect of sections E & G on the Annual Internal Audit Report in the AGAR.

For section E, I cannot confirm that all expected income was received as income was not included within the budget. Although the only income was in relation to a loan, there is also no evidence of expected amounts being documented within contracts/agreements.

Although the issues need to be acted on, they have not had any material impact upon the accounts for 2019/20 and there is no evidence of any irregularity.

#### Findings & Recommendations:

Finding	Risk Level	Recommendation for Improvement
The Financial Regulations, Code of Conduct and Standing Orders are all in line with the national guidance. However these were last updated in 2015 and are not to the latest released national guidance. The parish council already has the review and update of policies scheduled for later in 2020.	Low	The Parish Council should ensure that the policies are all updated to the latest national guidance as soon as possible.
A payment was made to a company called Tanks Direct for supply and delivery of grit bins. This was supported by handwritten notes, but no invoice. When queried, the Clerk explained that the payment was made in a hurry.	Low	All payments should be supported by appropriate evidence. If 'emergency' payments are made, this should be backed up by a receipt/ invoice quoting the amount paid.  To support this payment, the parish council should retrospectively request and obtain a copy of the invoice or a receipt for payment.
Payments have been made to Allerford & Selworthy Community Hall, some of which are contributions towards improvements to toilets and access, while some are a 'loan' for the works. There is no formal agreement in place to specify the amounts being contributed / loaned, the amount to be repaid and the agreement term for repayment.	High	The parish council should ensure that agreements are in place where it is paying for works to other premises. This should detail the amounts which are a contribution, amounts which are a loan, and the terms of the loan; amount to be repaid and the date(s) that repayment is expected.

<p>At the start of the financial year, there was a high level of unallocated reserves. Although now mostly spent either in contribution to, or loan towards, improvements at the village hall, this should have been detailed within the budget as 'earmarked' at the start of the year.</p> <p>Reserves should only be between 25-50% of the parish council's annual running costs, plus reserves that have been allocated to identified and agreed future projects.</p>	<p>Medium</p>	<p>The council should ensure that all reserves are detailed within the budget. Anything above the 25-50% of the annual running costs need to be allocated to an identified and agreed future project, which is beneficial to the whole community.</p> <p>If no future projects are identified and agreed, the parish council needs to work down its reserve level by not increasing or by reducing the precept amount.</p>	4
<p>Although a p60 for the tax year to 5 April 2020 has been provided, the amount of 'Pay' on the p60 differs to the amount of salary in the ledger. The p60 shows £4,996.92, the ledger shows £5,150.88. This suggests that salary has been understated when reported to HMRC.</p>	<p>Medium</p>	<p>The parish council need to ensure that the correct amount of salary is notified to HMRC.</p>	5
<p>In addition to the difference in salary, there are no payments to HMRC showing in the ledger, thus suggesting that the Clerk is receiving the salary gross and paying HMRC himself.</p> <p>Salary must not be paid gross to the employee. All deductions must be taken at source and paid directly to HMRC by the employer, the parish council.</p>	<p>Medium</p>	<p>Payments to HMRC should be made directly to HMRC from the parish council, as they are the employer, and the clerk should be paid nett salary only.</p>	6
<p>There is no evidence of any oversight by the parish council, as the employer, to confirm that the PAYE amounts due to HMRC have been paid correctly and by the payment dates.</p>	<p>Medium</p>	<p>The HMRC report showing a full breakdown of amounts entered, PAYE due, and payment dates should be presented to the parish council at least quarterly for confirmation that amounts have been submitted and paid correctly and no liability is outstanding to the employer (the parish council). This should be reconciled to confirm the gross salary due, the nett payments to the Clerk and the PAYE payments to HMRC.</p>	7

Signature: *T Weeks*  
 Date: 3rd June 2020

*All findings are being addressed*