

# Annual Internal Audit Report 2021/22

## PENSAX PARISH COUNCIL

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**During** the financial year ended 31 March 2022, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2021/22 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
H. Asset and investments registers were complete and accurate and properly maintained.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I. Periodic bank account reconciliations were properly carried out during the year.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
K. If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations <i>(evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)</i> .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
N. The authority has complied with the publication requirements for 2020/21 AGAR <i>(see AGAR Page 1 Guidance Notes)</i> .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>O. (For local councils only)</b>	Yes	No	Not applicable
Trust funds (including charitable) – The council met its responsibilities as a trustee.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

05/05/2022 06/05/2022 10/05/2022

Name of person who carried out the internal audit

DIANE MALLEY OF INTERNAL AUDITOR

Signature of person who carried out the internal audit

*Diane Malley* REQUIRED

Date

10/05/2022

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).



**INTERNAL AUDITOR  
EXPLANATION OF NO RESPONSES  
TO ACCOMPANY THE AGAR**

**PENSAX PARISH COUNCIL**

**B. Financial Regulations**

There is an audit trail of most items of expenditure, however, I could not find supporting evidence for the payment to Menith Wood Community Association rent for £88 or Cutting Edge payment for £224.

In addition, in March 2022 there were two payments to re-imburse the clerk for expenditure made on behalf of the council before the expense took place, supporting documentation was the order which were both made in April 2022. The first order was for defib pads with a payment to the clerk for £45.94 but the order form was £47.94. The second order was stationery from Viking at £96.48 but the order on file has no costs attached so I cannot tell if the correct amount has been paid. This method of payments is contrary to the parish council's financial regulations.

**C. Risk Assessments**

There is no evidence the parish council assessed the significant risks during the financial year.

**G. PAYE**

The PAYE is administered using Basic Tools. A salary payment was made to the clerk in March 2022 which had not been processed through the PAYE scheme. The clerk had been assigned a BR tax code but no PAYE had been deducted and the salary payment had been made gross.

*Diane Malley.*

Diane Malley M.A.A.T.





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10<sup>th</sup> May 2022

Pensax Parish Council  
69 Cleobury Meadows  
Cleobury Mortimer  
Shropshire  
DY14 8EY

## **Internal Audit for Pensax Parish Council**

I have now completed the internal audit for Pensax Parish Council. I have carried out tests on the systems in place and have reviewed the internal controls. I confirm I have acted independently; the basis of the internal audit is by selective assessment of compliance with relevant procedures and controls. Please present this report to the parish council.

### **A. Appropriate books of account**

Appropriate books of account have been kept during the year. The council has used a spreadsheet to record the cashbook, the cashbook is kept up to date and there is evidence in the minutes they are balanced regularly.

### **B. Financial Regulations**

There is an audit trail of most items of expenditure, however, I could not find supporting evidence for the payment to Menith Wood Community Association rent for £88 or Cutting Edge payment for £224.

There were two payments to re-imburse the clerk for expenditure made on behalf of the council which were made before the expense took place, supporting documentation was the order which were both made in April 2022 and not in the financial year under review, the payments made to the clerk were both in March 2022. The first order was for defib pads with a payment to the clerk for £45.94 but the order form was £47.94. The second order was stationery from Viking at £96.48 but the order on file has no costs attached so I cannot tell if the correct amount has been paid.

The payments have been made in this way because the organisations from whom the goods were ordered prefer to receive payment by debit card, the clerk has pre-claimed the expense prior to the purchase as he is unwilling to use his own joint bank account to fund purchases made by the council. As an employer it would be unreasonable to insist that he does, however, this format of making purchases is contrary to your financial regulations and cannot continue.

The parish council needs to implement a system which will allow the clerk to make purchases for the parish council using the parish council bank if the organisation will not accept cheque payments or issue invoices on account. Examples could be internet banking or use of a parish council debit card. Appropriate internal controls should be implemented for



such use which could involve second authorisations for internet banking and an independent check of debit card usage on a regular basis. The council may need to review the financial regulations to ensure compliance and make any amendments necessary.

VAT was appropriately accounted for and a VAT reclaim submitted for the 2019/20 year.

### **C. Risk Assessments**

A risk assessment was not completed by the parish council during the financial year. If the council was unfortunate enough to have a claim for damages made against it, your insurers would expect to see the council has reviewed its risks and may refuse to make any payment if the council could not demonstrate it had properly considered its risks.

The council's insurance cover includes public liability, employer's liability and fidelity guarantee and is adequate for the council's needs.

Computer data is backed up to an external hard drive which is stored separately to the computer.

### **D. Precept**

The precept was set after the council considered its budget requirements for the year. There is evidence of financial monitoring reports of actual income and expenditure being compared against the budget during the year.

### **E. Income**

The village hall was sold during the financial year giving rise to a significant variance in the receipts total. The funds raised from sale of the capital asset will need to be ring fenced and only used for capital purchases.

### **F. Petty Cash**

Petty cash is not used.

### **G. PAYE**

The PAYE is administered using Basic Tools, there is evidence present that RTI submissions have been made.

The salary payment made to the clerk in March was paid as gross without any tax being deducted. This payment had initially not been processed through the PAYE scheme. A year end RTI has now been submitted but the council should ensure the March salary has been included in the submission and that the generated tax has been paid to HMRC. The PAYE liability will now be late and will incur interest and could incur a fine.

The clerk has been made aware of the responsibilities in respect of the pensions regulator declarations of compliance.

### **H. Asset Register**

The parish council maintains an updated asset register which has been reviewed during the year.

### **I. Bank reconciliations**

The bank accounts are reconciled to the cash book at periods during the year and presented to council. I have recalculated the year end bank reconciliation and confirm the balancing figure agrees back to the bank statement and cashbook.

### **J. Accounting Statements**

The parish council prepares the accounting statements on a receipts and payment basis. The AGAR had not been fully completed at the time of the audit but I have advised that boxes 7 & 8 should be the same amount and should equal the bank reconciliation figure.



**K. Exemption**

The council met the exemption criteria for the 2020/21 review and correctly declared itself exempt from a limited assurance review.

**L. Transparency Code**

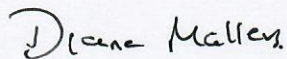
The council has published information on the website in accordance with the Transparency code for smaller authorities.

**M. Public Rights**

The council had correctly published on the website a notice providing for the period for the exercise of public rights as required by the Accounts and Audit Regulations for the 2020/21 period.

**N. Publication Requirements**

The council has complied with the publication requirements for the 2020/21 AGAR, these documents can be found on the council website.

A handwritten signature in dark ink, appearing to read "Diane Malley". The signature is written in a cursive style with a large initial 'D'.

Diane Malley MAAT