

## Internal Audit Report

(To be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Furneux Pelham Parish Council		
Name of Internal Auditor:	Katie Eyre	Date of report:	30/4/2025
Year ending:	31 March 2025	Date audit carried out:	Initial meeting 03/04/25

*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 council through its staff and management and not left for internal audit. 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 would like to thank the councillors and the interim clerk for the work undertaken within the last year to address the requirements for this audit. I note that the experience of the clerk has enabled me to carry out a more positive audit for this year as things have progressed tremendously.

Whilst I am unable to provide a comment for all aspects (as there is no evidence available to support some actions that should have been undertaken), I am confident that if/when the position the council finds itself in is resolved, then the council will be in good stead once more to reassure the residents that its council are well governed and practicable.

### General

During the previous audit year, the previous Clerk left the council. Furneux Pelham Parish Council (FPC) is experiencing delays accessing various documents. FPC took action to resolve to appoint a councillor as a temporary clerk whilst they sought advice from their county advice service, Hertfordshire Association of Parish and Town Councils (HAPTC). HAPTC were able to secure an extension to the submission deadline for the AGAR for 2023/24.

A qualified interim clerk had now been appointed, and the clerk had been working with the support of FPC to collate all the information for the audit year end. Again, this audit year and at the time of the previous audit there was still no access to any historic supporting evidence or information, however the interim clerk has built up some of the governance and statutes over the year to bring the council back to a competent standard.

I note that the asset register has now been updated, and a physical review of all assets was undertaken to verify the accuracy of this. A new website is now in place with financial and policy sections, along with the meeting papers and councillor details.

<b>A. Appropriate accounting records have been kept throughout the Year.</b>	YES
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Figures from the previous accounting records 23/24 were restated on the AGAR according to the bank statements as the clerk did not have historic accounting figures to support this. This balance at year end 23/24 showed reinstated balance of £8024.00 on the AGAR 23/24 and has been carried over to this year's AGAR for the same amount.

I have been able to view proof that the balance on 31st March 2025 was £10,080.44 after receiving the bank statements, bank reconciliation and cashbook for year end 2024/25 This has also been indicated on the draft AGAR 24/25 section 1 Accounting statement (box 7 & 8)

<b>B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.</b>	YES
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While payments were supported by invoices and expenditure was appropriately approved at meetings in line with the councils Financial Regulations.

I recommend that if the council are not completing purchase orders as part of their purchasing practices, then the financial Regulations should be amended to reflect this.

I also recommend that the Standing Orders procurement values be updated to reflect the Procurement Values in the Current Financial Regulations. (both should state £30,000, currently the Standing Orders have the old threshold limit of £25,000)

<b>C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</b>	<b>NO</b>
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I am confident that the council is ensuring they are safeguarding public money and have in place a risk register which is adequately detailed. The councillors are now using council specific email addresses, and the interim clerk has now purchased a laptop for council, while the other laptop is still unrecoverable.

The council now has appropriate insurance coverage to cover any liabilities it may incur. However, there are a few significant issues, that leave the council open to risk. To protect the council from the risk of any claims in the event of accident or damage it is imperative that any contactor working on behalf of the council has the appropriate insurance in place. It is usual for copies of any contractor risk assessment or insurance to be retained on file as it will most likely be requested by the council insurer in the event of any claim

As part of managing risk, I have advised the interim clerk to have a system of internal controls in place which is reviewed by the council in line with Financial Regulation 2.4. *At least once a year, the council must review the effectiveness of its system of internal control, before approving the Annual Governance Statement.*

This statutory process is currently not in place and is a statutory requirement (Account and Audit Regulations 2015 reg.6)

<b>D. The Precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves are appropriate.</b>	<b>YES</b>
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The precept has been adequately raised after a carefully considered budget process for £6,000.00 for 2025/26. The council does not hold a reserve. The reserve has been reviewed and has been considered unnecessary by the council. I recommend that the council should be mindful of financial regulation 4.10. *The agreed budget provides a basis for monitoring progress during the year by comparing actual spending and income against what was planned. To periodically monitor its budget*

And take particular note of the last sentence to periodically monitor the budget as I have been unable to evidence this. Significant variances should also be transparent should there be a case.

<b>E. Expected income was fully received based on correct prices, properly recorded, and promptly banked; and VAT appropriately accounted for.</b>	<b>YES</b>
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Following inspection of precept against the bank statement and after the interim clerk has assured me of the processes of the allotment payments, I am confident that all income is properly recorded and banked promptly, and VAT appropriately accounted for. (The council are not VAT registered)

<b>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.</b>	<b>N/A</b>
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The clerk confirmed that there is no petty cash. So, I have marked this assertion not applicable.

<b>G. Salaries to employees and allowances to members were paid in accordance with the authority’s approvals, and PAYE and NI requirements were properly applied.</b>	<b>NO</b>
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The clerk confirmed that there is no councillor allowances paid. I have advised the interim clerk to seek advice from their association and HMRC regarding the employment status of the clerk. Currently the interim Clerk is contracted on a fixed term contract as self-employed.

According to guidance from HMRC's Employment Income Manual (EIM67300), a Parish Clerk is considered an **office holder**. This classification means that their income is treated as employment income, and PAYE (Pay as You Earn) must be operated by the Parish Council on the Clerk’s earnings. HMRC explicitly states that a Parish Clerk cannot be regarded as self-employed for tax or National Insurance purposes, even if the Clerk is paying their own contributions directly.

It is important to note that this requirement applies even if the Parish Clerk is engaged on a **temporary fixed-term basis** while the permanent role is being filled. The nature of the role itself—as an office holder—makes the Clerk subject to employment income rules, regardless of the duration of their engagement or any self-employed arrangements. In all cases, the Parish Council must register as an employer and operate PAYE on the Clerk’s earnings for the duration of their appointment.

Furthermore, HMRC's Employment Status Manual (ESM2502) defines an office holder as someone who occupies a permanent position of authority or service, which exists independently of the person filling the role. The role of Parish Clerk meets this definition, as it involves substantial responsibilities and continuity within the council.

<b>H. Asset and investment registers were complete and accurate and properly maintained.</b>	<b>YES</b>
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An up-to-date asset register has been produced for this period following a comprehensive review and will be maintained going forward until historic documents can be attained. A physical review of all assets was undertaken by the chairman and the vice chairman to verify the accuracy of the renewed register.

<b>I. Periodic bank reconciliations were carried out throughout the year.</b>	YES
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Bank reconciliations have taken place and have been reported to council during this audit year; however, the council should be mindful of their procedures for carrying out bank reconciliations according to Financial Regulation 2.6. *At least once in each quarter and at each financial year end, a member other than the Chair or a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign and date the reconciliations and the original bank statements (or similar document) as evidence of this. This activity, including any exceptions, shall be reported to and noted by the council.*

*I recommend in particular the council have bank reconciliation and the bank statements signed and dated moving forward to comply with this regulation.*

<b>J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.</b>	YES
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I have studied the financial documentation provided to me, and I am happy that accounting statements were prepared correctly and in the correct format of receipts and payments. The amounts agree to the cashbook and although there is no historical audit trail currently available, I am happy to accept the trail of 2023/24 onwards is correct.

<b>K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.</b>	YES
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The authority has certified itself exempt and declared itself correctly using the correct form. I can confirm that the criteria for exemption have been met.

I recommend that each year that the council finds itself exempt, the checklist provided within [Transparency Code for Smaller Authorities](#) is complied with to ensure that correct information is shared on its website.

<p><b>L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation</b></p>	<p><b>YES</b></p>
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There is evidence to confirm that the council has published its required information to the website at the time of the audit report in accordance with the relevant legislation. The Transparency Code for Smaller Authorities states what is considered a requirement. I note that the council had not published the 23/24 narrative report of the Internal Auditor. This has since been rectified at the time of my final audit scrutiny and the reinstated AGAR has since been published.

Below are links to the statutes that FPC are governed by in relation to publication.

- [Transparency Code for Smaller Authorities](#)
- [The Accounts and Audit Regulations 2015 \(legislation.gov.uk\)](#)
- [Freedom of Information Act 2000 \(legislation.gov.uk\)](#)
- [Model Publication Scheme for Parish Councils](#)

<p><b>M. The authority has, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit regulations.</b></p>	<p><b>YES</b></p>
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I note the authority has correctly provided the exercise for public rights notice on the website for 2023/24 and I am happy to accept this has also been correctly displayed on the noticeboard although I have not evidenced this. The dates are within an acceptable timeframe given which were Monday 1<sup>st</sup> July 2024-Friday 9<sup>th</sup> August 2024 and notice was posted on 28<sup>th</sup> June 2024.

<p><b>N. The authority complied with the publication requirements for the prior year AGAR.</b></p>	<p><b>YES</b></p>
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I am happy to accept that the council has complied with its publication requirements for the 2023/24 AGAR now that the reinstated AGAR has been uploaded to the website along with the narrative Internal Audit Report. I am happy that all other publication requirements have been met. I did query with the interim clerk the lack of one councillors register of interests on the website. The interim clerk has explained that this information has been asked for and

that due to lack of meeting attendance the information has not yet been provided to her for publication. I am confident that the interim clerk has done her best to obtain this information.

<b>O. Trust funds (including charitable) - the Council has met its responsibilities as a trustee.</b>	<b>N/A</b>
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I currently believe that the council is not a trustee, however this cannot be wholly verified until circumstances with historical data have progressed or been resolved.

**Items to mention not included within the above.**

The council should look to provide an accessibility statement on its website once the interim clerk is confident navigating the website. This should also include website screenings to check that the website is compliant with current accessibility requirements. I have attached the guidance for the latest guidelines (2.2) and a webpage checker to help you.

[User accessibility Tool](#)

[Web Content Accessibility Guidelines \(WCAG\) 2.2](#)

This concludes my narrative report

Yours sincerely,



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The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2023)*. It is a guide to the accounting practices to be followed by local councils and it sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free [JPAG 2024](#)