



LIGHTATOUCH in association with **Bridget Bowen FCA**

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7 March 2018

The Parish Clerk

Cleeve Parish Council

28 Hawthorn Crescent

Yatton

North Somerset

BS49 4BF

Dear Mrs Fox

Interim Internal Audit Visit: Cleeve Parish Council – covering April – September 2017

The Accounts and Audit Regulations 2015 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and Accounting processes annually.

The Council has complied with the requirements in terms of independence by the Council decision making process in 2017/2018, and appointing Lightatouch to undertake the work for 2017/18.

This was the first visit in 2017/2018 to check that the Parish Council adheres to the requirements set out in the Governance and Accountability for Smaller Authorities in England ensuring that compliance with proper practices is maintained.

An Internal Audit testing strategy is set out in the current, Governance and Accountability for Small Authorities in England appendix 5. This covers a “suggested approach to internal audit testing” covering aspects ranging from Proper bookkeeping right through to Year-end procedures. Our Internal Audit testing is based on this approach.

Our initial discussion with the Parish Clerk/Responsible Finance Officer established the accounting system used and the internal controls in place. A series of independent audit tests were then undertaken using the various financial records, vouchers, documents, minutes, previous audit reports to ascertain the efficiency and effectiveness of these internal controls.

We also discussed the General Data Protection Regulations (GDPR) to be introduced in May 2018 at our first introductory visit. A copy of the Information Commissions Officers (ICO) publication “Preparing for the GDPR” was given to the Parish Clerk for information. It was agreed that preparation has begun and an information audit will be carried out if required before its introduction to ensure that the Parish Council remain compliant with the Data Protection Act.

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As part of the Internal Audit Review we checked :

Bank Reconciliations

- the financial totals as at 31 March 2017 brought forward are accurately shown in the cash book.
- all cheques, BACS and transfers were checked and accounted for in the period 1 April 2017 to 31 December 2017.
- bank reconciliations for all bank accounts have now been carried out from November 2017 onwards and gave an accurate closing cash book balance.

Audit Note: Although bank reconciliations are now carried out on a regular basis this is not always on the last day of each month. Different dates are used for each bank account. We also noted that bank statements are not signed and dated by the Chairman as part of the Parish Councillors scrutiny role to agree that totals are confirmed to the bank reconciliation information.

Audit Note: We note that for the small number of cheques paid into the bank account, no paying in book stubs, counterfoils or other documentary evidence that the cheque has been paid is retained by the Council.

Audit note: Although the closing cash book figure on the bank reconciliations was correct the reconciliations included un-presented cheques that were dated before the bank statement date. We can provide guidance on the methodology of bank reconciliations. The reconciling items in the bank reconciliations should be cheques written before the statement date that have not yet been presented by the bank statement date.

Audit Note: The bank balance is reported to the Council at meetings, but the minutes do not record that the bank reconciliation is presented for approval.

Recommendation:

We recommend that:

- Bank reconciliations for all bank accounts should be carried out at the last day of each month.
- The Chairman should sign and date each bank reconciliation and bank statement to confirm that the totals are correct as part of their scrutiny role.
- Bank reconciliations are presented to the Council quarterly.

Income and Expenditure

- All un-presented cheques and un-banked income information as at 5 December 2017 were confirmed that the details are accurate to the records held by Parish Council.
- All Remittance Advices were checked and agreed to the Cash Books and bank statements for the period 1 April 2017 – 31 December 2017. Paying books or other evidence that amounts had been paid into the bank were not retained.
- A complete check was carried out to agree the accuracy of payment vouchers and to agree the totals to the cashbook and bank statements for the period April – December 2017.
- A complete check was made of the authorisation of payments and no errors were noted except for one cheque book stub for cheque number 1756 that had no total on it, but had been initialled anyway.

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Audit Note: The cash book from July 2017 onwards is not in chronological order and some cheques were split into several parts in the cash book. The invoices and remittance advices in the file are not in the same order as they are recorded in the cash book. This made the tracing of transactions to the bank statements difficult.

Audit Note: The cash book total at 31 December 2017 did not include 85p of bank interest that had been recorded but was not in the cash book total.

Recommendations

We recommend that:

- *The cash book entries are recorded in cheque number and BACS payment order.*
- *The cash book records the total value of the cheque as a single figure. If the cheque relates to several items, as in the case of expenses, then a breakdown can be shown in an additional column on the cash book.*
- *Receipts or counterfoils or paying in book stubs or slips are retained for each cheque paid into the bank*
- *The cheque number relating to the payment of an invoice is written on the invoice when it is approved by the Councillors for payment.*
- *The formula on the excel spreadsheet that gives the cash book balance at any date is updated to ensure it captures all the income and expenditure recorded.*

VAT

• A VAT reimbursement claim totalling £283.50 was received on the 27 July 2017 for the period April – June 2017. Test checks were carried out on the entries shown on the VAT reimbursement claims to payments vouchers where available and the individual VAT elements verified for accuracy to the reimbursement claim form.

Audit Note: The VAT reclaimed for internet and telephone expenses reimbursed to the clerk was not backed up by a VAT invoice addressed to the Council and stating the VAT number and amount of VAT paid. However, VAT on reimbursed internet and telephone expenses has not been reclaimed since August 2017 which is correct if no VAT invoice addressed to the Council is available.

Payroll

• A test check was carried out on payroll information to agree the deduction of PAYE, National Insurance contributions, and Pensions contributions. We are pleased to report that these were calculated correctly and the sums have been paid to HMRC. The salaries paid by the Council fall below the limit for which it is required to auto-enrol employees in a pension scheme. All employees had contracts of employment in place.

Audit Note: It is noted that the payroll and deduction calculations sheet from August 2017 onwards include an amount of PAYE in the payments made to the clerk for reimbursement of expenses, however it has not been paid over to HMRC. There is no income tax due on reimbursed expenses, and it appears that this is just an error on the calculation sheets.

Audit Note: It is not clear from the payroll and deduction sheets how the amounts reimbursed to the clerk for internet and telephone have been calculated in recent months.

Budgets and reserves

- The budget is properly calculated based on prior year expenditure and estimated future spend and contains a sufficient level of detail for the size of the Council.
- There is no written reserves policy, however the level of general reserves maintained is adequate and not excessive. There was no evidence that actual expenditure is monitored against budget regularly throughout the year.

Recommendation

We recommend that:

- The Council monitors actual expenditure against budgeted expenditure quarterly throughout the year.

Asset register

- A review of the asset register revealed that it is regularly updated by the Council and assets are added to it when purchased.

Audit Note: The asset register as at 27 June 2017 does not appear to add up.

Parish Council Minutes

- Minutes of the Parish Council were checked for approvals for the period April 2017 to January 2018 to note decisions taken that affect the management of the Parish Council. All minutes had been approved by the Council and signed and initialled.

Audit Note: The Minutes of 14 November 2017 appear to record the appointment of Grant Thornton as the Council's internal auditor. Grant Thornton were the Council's appointed external auditors up to 2016/17. Lightatouch is conducting the internal audit. The Council is likely to be below the £25,000 threshold for 2017/18 above which external audit is required and if so will not require an external audit for 2017/18. The appointed external auditor from 2017/18 onwards is PKF Littlejohn.

Audit Note: The minutes do not appear to record the appointment of the new clerk and RFO.

Recommendations

We recommend that:

- The Council notes in the minutes the appointment of Lightatouch as its internal auditor for 2017/18.
- The Council formally notes the appointment of the RFO.

Policies and procedures

- The Council has various policies and procedures on its website and these are adequate for the size of the Council. It was noted that the Financial Regulations and Standing Orders, which are regularly adopted by the Council, are dated May 2014.

Recommendation

We recommend that:

- **The Council's Financial regulations and Standing Orders are reviewed and updated in 2018/19 with reference to the model versions available from NALC.**

Risk assessment and insurance

- The Council does not have an overall risk assessment document. Risk is discussed at each meeting but appears to be limited to highway and health and safety issues. Insurance was noted by the Council but its adequacy was left to be reviewed by the internal auditor.
- The Council's insurance policy was reviewed and in our view appeared to be adequate for the Council's needs.

Audit Note: The Council should undertake an overall risk assessment annually, including consideration of insurance requirements. Guidance is available in the NALC/SLCC publication Governance and Accountability for Smaller Authorities in England, which is available on the NALC website.

Transparency Code

- A review of the information on the Council's website confirmed that it complies with the Transparency Code for Smaller Authorities (2014).

I am pleased to report that the various records and procedures in place for the Parish Council provide an adequate standard of control with the exception of recommendations made in this report. Other minor queries were resolved during the course of the audit for various transactional elements in the period covered.

This letter report should be noted and taken to the next meeting of the Parish Council to inform them of the Internal Audit work carried out. The details of this Internal Audit Letter Report should also be minuted by the Parish Council.

Yours sincerely,

Tim Light FMAAT and Bridget Bowen FCA

Internal Auditors