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**19 February 2018**

**Parish Clerk**

**Sway Parish Council**

**Jubilee Fields Pavilion**

**Sway**

**Hants SO41 6BE**

Dear Mrs Walding

**Interim Internal Audit Letter Report for Sway Parish Council – covering April 2017 – December 2017**

The Accounts and Audit Arrangements introduced from 1st April 2002 (lighter touch audit) requires all Town and Parish Councils to implement an independent internal audit examination of their Accounts and Accounting processes annually. The Council have complied with the requirements in terms of independence by the Council decision making process in 2017/2018, appointing Lightatouch to undertake the work.

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

An Internal Audit testing strategy is set out in the current Governance and Accountability document for Smaller Authorities in England appendix 5. This covers a “suggested approach to internal audit testing” covering 10 aspects ranging from Proper bookkeeping right through to Year-end procedures. Our Internal Audit testing is based on this approach.

At this visit a series of independent audit tests were then undertaken using the various financial records, vouchers, documents, Minutes, insurance etc. to ascertain the efficiency and effectiveness of these internal controls.

As part of the Internal Audit Review we checked that:

**Bank Reconciliations**

- the financial totals as at 31 March 2017 brought forward are accurately shown in the Cash Book.
- all un-presented cheques, and un-banked income at 31 March 2017 were checked to bank statements to verify these were banked or cleared in April 2017.
- all cheques, BACS, direct debits, standing orders, transfers were checked and accounted for in the period 1 April 2017 to 31 December 2017.

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- all bank paying in slips were banked and agreed to bank statements in the period 1 April 2017 to 31 December 2017.

- bank reconciliations for all bank accounts had been carried out between 1 April 2017 to 31 December 2017 and totals agreed to those shown in the appropriate Cash Book.

***Audit Note: It was noted that although the bank reconciliation sheet is produced each month this is not signed or dated by Chairman of Parish Council.***

**Recommendation:**

**We recommend that:**

- **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 Account**

The Parish Council has the following bank accounts for processing its transactions:

- Lloyds Bank Business Banking Extra Account no 01244326

***Audit Note: It is noted that the balance held on the Current Account No 83885216 at the 31 December 2017 is £91,870.37.***

We discussed with the Parish Clerk the need for the Parish Council to consider its Investment Strategy to ensure its portfolio can maximise any return on its investments. The current balance held in the current account should be reviewed as the Financial Service Authority compensation scheme will only cover a maximum of £85,000 held in separate bank accounts. The risk of receiving compensation is reduced if any sums banked with banking institutions cannot be met and the obligation to receive compensation from the Financial Services Compensation Scheme is limited to £85,000.

***Recommendation:***

***We recommend that:***

- ***The Parish Council should review its investment strategy to ensure that it maximises its return on investments but should also be mindful of spreading its investment portfolio to minimise the risk of loss so it can recover the maximum amounts under the Financial Services Compensation Scheme.***

### **Income and Expenditure**

- all un-presented cheques and un-banked income information as at 31 December 2017 was confirmed and the details were accurate to the records held by the 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.

### **VAT**

- VAT reimbursement claim forms had been submitted and payments received during the period April to October 2017 totalling £2437.64.

- A further VAT reimbursement claim form totalling £7,707.84 covering Section 106 payments for a period July 2017 – November 2017 has been submitted but remained outstanding at the date of the audit.

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- Test checks were carried out from the invoice/payment vouchers to agree to individual VAT shown on the reimbursement claim forms for the period April – October 2017.

### **Payroll**

- A test check was carried out on payroll information for December 2017 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 and the Pension Provider.

### **Allotment Income**

- a full check was carried out from the Allotment spreadsheet to agree that all rental income for 2017/2018 was collected from plot holders and this was correctly calculated, received and paid in the bank account.

***Audit Note: We noted that all sums could be traced to the bank paying in book and bank statements from amounts received by cheque and cash. However, there are no details recorded on the allotment spreadsheet of the bank paying in slip number so the payment can be easily traced to the banking made into the bank account.***

### **Recommendation:**

**We recommend that:**

- details recorded on the allotment spreadsheet should include the bank paying in slip number so the payment can be easily traced to the banking made into the bank account.

### **Insurance Policy**

Insurance cover for the Parish Council is held with Hiscox Policy 1891376 to cover the period 11 March 2017 to 11 March 2018. The cover provides for Employer Liability of £10m and Public Liability of £10m. Fidelity Guarantee has been set at £150,000 and is sufficient for the size of the Parish Council.

### **Parish Council Minutes**

- Minutes of the Parish Council were checked for approvals for the period April 2017 to December 2017 to note decisions taken that affects the budget management of the Parish Council.

### **Audit Opinion**

I am pleased to report that the various transactions elements of the Parish Council are of an adequate standard of control with the exception of where recommendations have been made above.

All minor queries were resolved during the course of the audit for the period 1 April 2017– 31 December 2017 for the various transactional elements.

We have arranged for a final visit for 2017/2018 on Wednesday 11 April 2018 and will continue to test the controls again before we complete our opinion on the Internal Auditors Report on the Governance and Accountability Annual Return as required.

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.

Tim Light FMAAT

Internal Auditor