



7 Hodder Close, Chandlers Ford, Hants, SO53 4QD.
Tel: 0762 780605 Email: Tim.Light1@hotmail.co.uk

3 November 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 2018 – September 2018

This is the first visit for 2018/2019 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 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 2018 brought forward are accurately shown in the Cash Book.
- all un-presented cheques, on line payments and un-banked income at 31 March 2018 were checked to bank statements to verify these were banked or cleared in April 2018.
- all cheques, BACS, direct debits, standing orders, transfers were checked and accounted for in the period 1 April 2018 to 30 September 2018.
- all bank paying in slips were banked and agreed to bank statements in the period 1 April 2018 to 30 September 2018.

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- bank reconciliations for all bank accounts had been carried out between 1 April 2018 to 30 September 2018 and totals agreed to those shown in the appropriate Cash Book.

Bank Account

- the Parish Council has the following bank accounts for processing its transactions:
 - Lloyds Bank Business Treasurers Account no 01244326 - Balance as at 30 September 2018 £109,525.32
 - Lloyds Bank S106 (Treasurers Account) no 33264360 – Balance as at 30 September 2018 £23,200.45

Audit Note:

- *we continue to encourage the Parish Council to review its investment strategy and ensure that it maximises its return on investments but should also be mindful of spreading its investment portfolio to minimise the risk of loss.*

Income and Expenditure

- all un-presented cheques and un-banked income information as at 30 September 2018 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 2018 – 30 September 2018.

Audit Note:

- *In discussion with the Parish Clerk it is noted that Grant Funding has been obtained totalling £6,500 during the past year for projects identified in the Budget. However, it should be noted that Grants should only be obtained for specific projects identified in the Budget and where appropriate Earmarked for the specific purpose. Grants cannot be used as additional income to increase the Reserves of the Parish Council.*
- *We noted that on one occasion the Parish Clerk used her personal cheque to purchase items for the Parish Council as the Supplier required payment in advance of the delivery. In discussion with the Parish Clerk it was suggested that the Parish Council should explore the use of Debit Card or Pre-payment Card for the Parish Council use. These are particularly useful for on-line purchases where payment is required before the goods are released.*

General Data Protection Regulations May 2018

Audit Note:

- *We noted that the Parish Council have introduced Privacy Notices to comply with GDPR. This allows Councillors to use emails for Parish Council business protected by using the Parish Council name and followed by the gov.uk email extension.*

VAT

- VAT reimbursement claim forms had been submitted and payments received during the period October 2017 to January 2018 totalling £1733.45 received on the 1 May 2018.
- a further VAT reimbursement claim form totalling £781.79 for a period February 2018 – April 2018 has been received on the 5 June 2018.
- test checks were carried out from the invoice/payment vouchers from April 2018 to agree accuracy of the details to the Cash Book including the individual VAT elements which will be included on the reimbursement claim form for the period May 2018 to August 2018 to be submitted by the Parish Clerk in November 2018.

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Payroll

•A test check was carried out on payroll information for July 2018 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.

Insurance Policy

•Insurance cover for the Parish Council is held with Inspire (AXA) Policy RGBDX6962034 to cover the period 11 March 2018 to 11 March 2019. The cover provides for Employer Liability of £10m and Public Liability of £10m. Fidelity Guarantee has been set at £500,00 and is enough for the size of the Parish Council.

Parish Council Minutes

•Minutes of the Parish Council were checked for approvals for the period April 2018 to September 2018 to note decisions taken that affect the budget management of the Parish Council.

Pavilion and Car Park Security

•In discussion with the Parish Clerk it was noted that the Caretaker has now retired from the Parish Council and arrangements for the cleaning of the Pavilion are currently outsourced to a local Cleaning Company. We further discussed the current usage of the Pavilion to Hirers and particularly the security of the building for out of hours use in the evening.

Audit Note:

- ***We are concerned that the Parish Council need to resolve the arrangements for the locking up and security of the Pavilion and Car Park and a procedure should be introduced to ensure that the security of the premises and the car park is maintained.***

Recommendation

We recommend that:

- ***the risk register for the Parish Council is updated and a separate risk assessment is carried out to ensure that the risks are reduced or mitigated.***
- ***A business continuity plan or disaster recovery plan should be considered to include the responsibilities of the Parish Council and Hirers to secure the premises and car park and particularly the locking up for times that are out of hours.***
- ***once a plan has been produced it would be appropriate to ensure that the Parish Council insures are aware of any plans to mitigate these risks once they are put in place.***

Audit Opinion

I am pleased to report that the various transactional elements of the Parish Council are of an adequate standard of control except for recommendation made above and the issues relating to:

- maximising the investment portfolio for the Parish Council.
- the use of personal cheques and the introduction of a debit or pre-payment card.

However, all minor queries were resolved during the audit for the period 1 April 2018– 30 September 2018 for the various transactional elements.

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We have arranged our next visit for Thursday 21 February 2019 which will include tests on:

- Allotment invoicing and receipt of income 2018/19
- Financial risk assessment for 2018/19
- Budgets and Reserves for 2019/20

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