



**LIGHTATOUCH** in association with Bridget Bowen FCA

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**20 November 2017**

The Parish Clerk

Central Swindon South Parish Council

Broadgreen Community Centre,

Salisbury Street,

Swindon

SN1 2AN

**Dear Ms Holman**

**Interim Internal Audit Visit: Central Swindon South Parish Council – covering April – September 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.

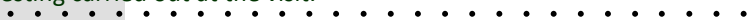
The Council have complied with the requirements in terms of independence by the Council decision making process in 2017/2018, appointing Lightatouch to undertake the work for 2017/18.

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

An Internal Audit testing strategy is set out in the current Governance and Accountability for Smaller 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.

An introductory meeting was held with the Parish Clerk/Responsible Finance Officer on the 6 October 2017 to provide the background to setting up the Parish Council in 2017/2018. At this meeting we also discussed the General Data Protection Regulations (GDPR) to be introduced in May 2018. A copy of the Information Commissions Office (ICO) document “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.

We agreed that the first internal audit visit would take place on 10 November 2017. At the visit a series of independent audit tests was undertaken using the various financial records, vouchers, documents, Minutes, insurance documentation to ascertain the efficiency and effectiveness of the internal control framework. This internal audit report is based on the audit testing carried out at the visit.



November 20, 2017

Page 2

We also documented the current systems and established the internal controls framework currently in place. Since its inception the Parish Council has published and adopted Financial Regulations, Standing Orders and other policy documents based on the National Association of Local Council (NALC) models. However, in discussion with the Parish Clerk it is recognised that some further work is required to enhance controls to ensure that compliance with the Governance and Accountability for Smaller Authorities in England is achieved.

It is also noted from our discussions with the Chairman on the day of the internal audit visit that the Parish Council have set a two year vision to ensure they become compliant with the Governance and Accountability for Smaller Authorities in England.

We have also noted that with the imminent retirement of the Parish Clerk the Parish Council should seek to ensure its staffing structure is adequate to meet its needs to maintain a quality service as demand for its services increase.

As part of the Internal Audit Review we checked that:

### **Bank Accounts**

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

- Barclays Central Swindon South Parish Council Business Current Account No 73213064
- Barclays Central Swindon South Parish Council Savings Account No 83473112

Both accounts were opened on 19 June 2017.

*Audit Note: It is noted that an initial payment of £1,027,963.40 was received from Swindon Borough Council on 6 July 2017 and credited into the Business Current Account.*

*Audit Note: It is noted that the balance held on the Business Current Account No 73213064 at the 30 September 2017 is £1,517,914.20 and the Savings Account No 83473112 is £500,000.*

*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.*

### **Bank Reconciliations**

- the financial totals as at 30 September 2017 were confirmed and are accurately shown in the cash book.
- BACS, direct debits, standing orders, transfers were checked and accounted for in the period 1 April 2017 to 30 September 2017. It is noted that the payments made by Swindon Borough Council on behalf of the Shadow Parish Council between the 1 April and 12 July 2017 have been entered on to the SAGE software to provide a complete history of the transactions since 1 April 2017.
- all bank paying in slips were banked and agreed to bank statements in the period 1 April 2017 to 30 September 2017.

November 20, 2017

Page 3

- bank reconciliations for all bank accounts had been carried out between 1 April 2017 to 30 September 2017, and totals agreed to those shown in the appropriate Cash Book.

- **Audit Note:** *Although bank reconciliations are carried out at the end of each month we noted that the bank statements and cash book 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.*

**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.

### **Income and Expenditure**

- all banked income and expenditure information as at 30 September 2017 was confirmed and details are accurate to the records held by Parish Council.

**Audit Note:** *It was noted that multiple totals were used to record payments in SAGE where more than one invoice was paid to a Creditor or Supplier. We discussed this with the Parish Clerk to ensure that all invoice information can be traced to the cash book. A numbering series should be used to identify each invoice total using a suffix or prefix number/letter to indicate the individual sums that make up the total payment shown on the bank statement.*

**Audit Note:** *The Local Government Transparency Code 2015 require all Parish Councils with gross income or expenditure (whichever is the higher) of more than £200,000 to provide a list of payments made to Creditors and suppliers that have been made over £500 on their website.*

**Audit Note:** *It is noted that Allotment invoices have not yet been issued for those sites transferred from Swindon Borough Council on the 1 October 2017. The Parish Clerk is aware that this is a priority and will be allocating temporary resources to achieve sending them out to Allotment plot holders by 31 December 2017.*

**Recommendation:**

**We recommend that:**

- **Payments over £500 should be separately listed on the Parish Council website to comply with the Local Government Transparency Code 2015.**

- all Remittance Advices were checked and agreed to the Cash Books and bank statements for the period 1 April 2017 – 30 September 2017.

**Audit Note:** *It was noted that the transitional payment made by Swindon Borough Council on the 6 July of £1,027,963.40 took account of the agreed first instalment of Precept (£1,053,621.00 and Council Tax Support Grant £72,242.00) less the payments made by them during the period 1 April 2017 to 12 July 2017. A second instalment Precept payment of (£1,053.621.00) was received on the 22 September 2017.*

- a complete check was carried out to agree the accuracy of payment vouchers and to agree the totals to the Cash Book and bank statements for the period April – September 2017.

### **VAT**

- A VAT reimbursement claim totalling £791.66 was submitted for the period April – June 2017 on the 19 October 2017. A further VAT reimbursement claim totalling £54,138.26 was being prepared by the Parish Clerk for the period July – September 2017 but had not been sent to HMRC at the date of the audit visit. Test checks were carried out on the entries shown on the VAT reimbursement claim for the period April – June 2017 to payment vouchers and the individual VAT elements verified for accuracy to the reimbursement claim form.

November 20, 2017

Page 4

Our review of invoices revealed that one invoice for the purchase of software which had been printed from a computer screen did not show the VAT amount separately. There were no VAT invoices available for the purchase of one of the laptops.

**Recommendation:**

**We recommend that:**

- **The Clerk attempts to obtain VAT invoices for these purchases so that the VAT can be reclaimed by the Council on the next VAT return for July to September 2017.**

## **Payroll**

• A test check was carried out on payroll information for August 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 Wiltshire Pension Fund by the due date.

*Audit Note: It is noted that the deduction calculations are taken from the HMRC toolkit information but are not signed off by the Chairman to verify that the payments then made to HMRC and Wiltshire Pension Fund agree to the correct totals.*

**Recommendation:**

**We recommend that:**

- **The Chairman should sign and date the HMRC toolkit schedule to validate that the payments made to HMRC and Wiltshire Pension Fund are correct as part of their Parish Councillors scrutiny role.**

## **Insurance Policy**

• Insurance cover for the Parish Council is brokered through WPS and held with Aviva, Policy No 25186635CCI to cover the period 1 April 2017 to 31 March 2018. The cover provides for Employer Liability of £10m and Public Liability of £10m. Fidelity Guarantee has been set at £2,035,000 and is sufficient for the size of the Parish Council.

*Audit Note: It is noted that the Policy documentation held on file is in the name of the Central Swindon South Shadow Parish Council.*

**Recommendation:**

**We recommend that:**

- **WPS should be contacted as soon as possible to inform them that the policy documentation should be amended to read Central Swindon South Parish Council to ensure that the policy documentation is shown by the correct name.**

### **Assets Register**

- The Assets Register shows all Allotment sites transferred from Swindon Borough Council as at 1 October 2017. However, it was noted from the invoice testing carried out two Office Computers were purchased during the period which do not appear on the Assets Register. In discussion with the Parish Clerk it was stated that these purchases were under £500 each and it was not intended to record these on the Register although we noted that no de-minimus level had been set by the Parish Council.

#### **Recommendation:**

##### **We recommend that:**

- **The Parish Council should set a de-minimus level for which assets are not entered on the Assets Register.**

### **Policy Documents**

- A list of the Policy Documents is held on the Parish Council website. It is noted that at present there is no Policy Document for Disaster Recovery should anything occur which would threaten the continuation of the Parish Council activities on a day to day basis, including fire or flood.

#### **Recommendation:**

##### **We recommend that:**

- **A Disaster Recovery plan should be drawn up formalised and adopted by the Parish Council.**

### **Parish Council Minutes**

The Minutes of Parish Council meetings and Finance and Staffing Committee meetings from 27 April 2017 to October 2017 were reviewed. All Minutes had been formally adopted at the following meeting and correctly initialled.

### **Budgets**

- The budget was prepared by the Parish Clerk and approved by the Shadow Parish Council before the Parish Council was formed.

The budget includes £51,000 for grants under Section 137. However, the Parish Council has adopted the General Power of Competence. Section 137 is a power of last resort. A council that is eligible to use the General Power of Competence can no longer use Section 137 as a power for taking action for the benefit of the area or its community except Section 137 (3) which permits the council to contribute to UK charities, public sector funds and public appeals that remain in place.

The budget was based on the assumption that the open spaces, parks and community centres would be transferred to the Parish Council soon after its formation. This process has taken longer than anticipated and therefore there is currently a significant underspend as the Parish Council has not been as active for as long as expected.

The Finance and Staffing Committee undertook a half yearly review of the budget compared to actual income and expenditure on 24 October 2017.

*November 20, 2017*

*Page 6*

**Recommendation:**

**We recommend that:**

- **The Council revises its budget headings and Grant Policy to reflect the correct legislative powers under which grants will be made.**

**Income and Expenditure accounts**

The Parish Clerk prepared Income and Expenditure accounts from Sage for the first 3 months to June 2017 and presented them to the 25 July 2017 Finance and Staffing Committee. The expenditure on these accounts appeared low in relation to the expenditure approved by the Council. On further inquiry of the Clerk it appears that at the time the accounts were prepared not all the transactions up to 30 June had been entered onto Sage.

Accounts were prepared monthly thereafter.

We attempted to reconcile the income and expenditure accounts for the 6 months to September 2017 to the payments approved. This revealed that earmarked reserves of £557,661 had been recorded as expenditure in the accounts. This is incorrect. The earmarked reserves should be recorded as a reserve movement and only recorded as expenditure when the money is spent.

There was no clear audit trail on the Finance File of how the income and expenditure accounts tied into authorised expenditure. No breakdown of creditors was supplied.

**Recommendations:**

**We recommend that:**

- **The Clerk adjusts the earmarked reserves to show as reserves and not expenditure**
- **A breakdown of debtors and creditors is supplied to the Committee with the income and expenditure accounts**

**Audit Opinion**

We have made recommendations in this report to enhance and strengthen the internal controls that exist. We recognise that the Parish Council is new and are able to give limited assurance at this stage that the internal control framework is adequate but we will need to test this again as the Parish Council becomes more active to give full assurance that it is sufficient to take forward into 2018/2019. We will continue our testing at the next internal audit visit on Friday 26 January 2018.

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