



**LIGHTATOUCH** in association with Bridget Bowen FCA

7 Hodder Close, Chandlers Ford, Hants, SO53 4QD. Tel: (023) 8026 3791 Email: Tim.Light1@hotmail.co.uk

**8 June 2018**

The Parish Manager  
Central Swindon North Parish Council  
Pinetrees Community Centre,  
The Circle,  
Pinehurst  
Swindon SN2 1QR

**Dear Mr Reeves**

**Final Internal Audit Report: Central Swindon North Parish Council –**

**Covering January – March 2018**

This is our final internal audit report for 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.

This internal audit report continues to test compliance against the Governance and Accountability for Smaller Authorities in England, follows up on the recommendation made in our interim internal audit reports of 21 November 2017 and 20 February 2018 and our findings from our visits on 27 April 2018 and 8 June 2018.

We continued with our independent audit tests using various financial records, vouchers, documents, Minutes, insurance documentation to ascertain the efficiency and effectiveness of the internal control framework.

We discussed with the Parish Clerk the increase in the activity of the Parish Council and the action taken to date on the recommendations we made in interim internal audit reports. Details of the action taken to date are set out in the report below.

Significant improvements continue to be made but we are still of the view that key controls are missing and further work is required. Currently the accounting and internal control system is not, in our view, sufficiently robust for the size and activity of the Council. Compliance with all aspects of the Proper Practices of Governance and Accountability for Smaller Authorities in England is not being achieved.

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The current Parish Manager Andy Reeves has been formally appointed as Parish Clerk with effect from 1 April 2018. Andy is currently awaiting the results of his CiCa qualification. It is essential that the Parish Clerk is qualified to enable the Council to continue to use the General Power of Competence.

As part of the Internal Audit Review we checked:

### **Bank Reconciliations**

Bank reconciliations have been carried out for 31 March 2018 for the Barclays current account no 83885216, the Nationwide 95 day saver account. The Council also had £1,061.65 in cash in the safe at 31 March 2018 that had not yet been paid into the bank at 31 March 2018.

We note that no bank reconciliations had been carried out before this date.

We are pleased to note that the Deputy Clerk has confirmed that bank reconciliations are now carried out monthly and are taken to the Finance and Staffing Committee and approved by the Chair.

**Audit note: The unpresented cheques at 31 March 2018 include four cheques made out to Councillors for their allowances that we understand are unlikely to be presented. The Council should consider writing these back when they are over six months old.**

### **Parish Council Minutes**

The Parish Council and Finance and Staffing Committee minutes were reviewed for the period from February to March 2018.

### **Delegated Powers of Authority to Spend**

Our interim audit report of 20 February 2018 recommended that the Financial Regulations are amended at the next Full Council meeting to give delegated authority to the Parish Manager, as having authority to spend up to £10,000. The Finance and Staffing Committee resolved on 6 February 2018 to give the delegated authority to the Parish Manager from June 2017. The Financial Regulations have been updated to reflect this.

### **Use of On-line SAGE software**

At our visit on 27 April 2018 our concerns over the suitability of the on line SAGE software package used by the Parish Council remained. The production of the year end figures has been difficult and has highlighted that the system does not produce the information required.

In particular the system will not allow input VAT to be entered with the purchase invoice and currently all VAT returns have to be manually pulled together and separately recorded on a spreadsheet from the invoices for submission to HMRC. This is time consuming and increases the risk of input errors. Invoices have been posted to the system gross of VAT and manual entries will have to be made at the year end to state the figures correctly on an income and expenditure basis.

There remained technical issues with the software that prevent its functionality from being sufficiently robust for all financial information to be recorded with the necessary level of detail and flexibility required.

We are pleased to note that the Council has decided to change the accounting software to another Sage package that is more suited to the Council's needs. At the time of our visit on 8 June 2018 work was underway to transfer the balances across from the old system to the new one.

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## **Income and Expenditure**

Purchase Orders have been used since 1 April 2018 as recommended.

## **Bank Accounts**

We recommended in our first report that the Parish Council 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.

The Council has researched the options available and has now opened a Nationwide Savings Account and transferred a total of £500,000.

## **VAT**

The Deputy Clerk now uses a spreadsheet to record VAT from paid invoices to prepare the VAT reimbursement claims forms for submission to HMRC. Once the records have been transferred to the new Sage system the information can be obtained directly from Sage and the spreadsheet will not be required.

One claim has been made for VAT of £51,956.59 for the period from 1 April 2017 to 30 November 2017.

The VAT to be claimed for the period ending 31 March 2018 is £59,447.59. This was agreed to the supporting listing. At the time of our visit the claim had not yet been submitted.

Claims will be made on a quarterly basis going forward.

## **Assets Register**

The assets registers have been consolidated. The Council has set a de-minimus limit of £2,000 below which assets will not be recorded on the Annual Governance and Accountability Return. Smaller amounts are included on the detailed Asset Register.

## **Policy Documents**

As noted in our previous reports no policy yet exists 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 is drawn up formalised and adopted by the Parish Council.*

## **Risk assessment**

The Council has drawn up a risk assessment of all the risks facing the council. This was adopted by the Council at the annual Meeting in May 2018.

## **Reserves policy**

There is a written reserves policy. This is due to be adopted by the Council in 2018/19.

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### **Documentation of internal controls**

We understand from the Deputy Clerk that some progress has been made on documenting the Council's internal controls.

**Recommendation:**

**We recommend that:**

- *the Council continues to document its internal controls, that is the day to day actions that implement the internal controls policy, as the system of internal control is developed.*

### **Governance and training issues**

Andy Reeves has been in post as Parish Clerk from 1 April 2018. Andy does not have a financial background. We continue to recommend that the Council could consider whether the role of Parish Clerk and Responsible Financial officer should be separated. The Deputy Clerk is part qualified ACCA and between our visit on 27 April 2018 and our visit on 8 June 2018 she has, with the assistance of the former Parish Clerk, brought the accounting records up to date and produced a file for audit.

**Recommendation:**

**We recommend that:**

- *the Council considers whether the role of Parish Clerk and Responsible Financial Manager should be separated.*

### **Library expenditure**

A trust has now been established and the process to hand over services from Swindon Borough. Contributions to library services will now be lawful.

### **End of Year Procedures**

A full check was carried out on the End of Year documentation provided by the Deputy Clerk to confirm the accuracy of the details to be submitted to the External Auditor. This included a detailed analysis of the reconciliation between boxes 7 and 8 shown on Section 2 of the Accountability and Governance Annual Return (AGAR) as required by the External Auditor.

The Annual Internal Audit Report was completed and signed by Bridget Bowen.

**Audit Note:**

It was noted that Box 4 – staff costs on the AGAR incorrectly included costs paid to agency staff who are not Council employees. The Deputy Clerk has confirmed that these will be moved to Box 6 – other expenditure.

Box 6- other expenditure includes £532.61 of bank interest receivable which should be included in Box 3 – other income.

Box 9 – it was noted that the land and buildings should be included on the AGAR at a nominal £1 value.

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**Audit Opinion**

We have made recommendations in this report that will continue to enhance and strengthen the internal controls that exist. We recognise that the Parish Council has made good progress in implementing the recommendations we have made in our Internal Audit Reports. In our view we are now able to give assurance that the internal control framework is adequate.

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 and our recommendations. 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