



SDH Accounting

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Mrs C Higgins
Clerk for Bayston Hill PC
The Parish Office
Bayston Hill

23 November 2017

Dear Caroline,

RE: INTERIM INTERNAL AUDIT REPORT 2017-18

The audit visit took place on 27 October 2017 and concentrated on examining the following key controls; as identified in the attached audit plan and following up on concerns raised during my last visit in June 2017 relating to year end 2016/17. I would be most obliged if you could share this report with your Council members. Areas of particular concern have been highlighted for the readers benefit.

Year End 2016/17

The Excel Cash Receipts & Payments Book for the year and Year end bank reconciliation was independently agreed to bank statements. However although considerable effort had been made to update Scribe with the year's transactions; Scribe did not agree with the Excel Cash Book and could not therefore in my opinion be relied upon. Note the Council's own internal control checks and my own during the year had been based on the Excel Cash Book which was used as the basis for completing the Annual Return.

Year End 2016/17 Delays in the Submission of VAT Returns

The 4th quarter VAT return for 2015-16 and VAT returns for 2016-17 had not been processed. As a result these needed to be accounted for as debtors in the 2016/17 accounts. Checks carried out on the 2015/16 VAT debtors and the VAT returns processed required adjustments to the 2015/16 Income & Expenditure account which were reflected on the Annual Return for 2016/17 and explained by the Clerk to the External Auditor.

Every effort should be made to ensure the quarterly VAT returns are submitted timely to avoid these problems i.e. avoiding adjustments to the previous year's debtors. Improving cash flow and overall the accuracy of the accounts.

Summary of Findings to Date:

During my most recent visit I was surprised that the Chairman of the Finance Committee believed that the Scribe accounting system was the Council's prime accounting system.

Problems with Scribe at year end (as described above) have resulted in the Excel Cash Receipts & Payments Book being the Council's preferred accounting system which is presented to Council regularly and used by councillors when carrying out their internal control checks.

I would therefore recommend that the Council formally decides its preferred accounting system/package. To do this the Council needs to make (an informed decision) on one of the following choices at its earliest opportunity; taking into account the staff time and costs involved and future accounting needs of the Council:

- To arrange for a Scribe consultant to set up the 2017/18 opening balances on Scribe; and arrange for input of 9 months transactions for 2017/18. (April – December 2017).
- Look at alternative accounting packages for 2017/18 or 2018/19.
- Continue with Excel Spreadsheets for 2017/18.

In order to make an informed decision I would urge the Clerk and possibly councillors to visit local councils using alternative accounting systems to Scribe.

Bank Reconciliations - I am pleased to report that the bank reconciliation as at 30 September 2017 was re-performed and agreed. My examination also supports that the accounts spreadsheets are up to date and that the Clerk carries out a monthly reconciliation of the Working Account and provides a quarterly bank reconciliation of all accounts to Council to check as part of their system of internal control.

I have previously requested that this check is evidenced by the councillor who performs the check on a printed copy of the reconciliation. This is being carried out and was sighted on the September reconciliation. **I would also encourage councillor to initial the bank statements he/she is checking the reconciliation to; as this is a prime third party accounting document.** The check is minuted which is excellent.

VAT Returns: The outstanding 4th quarter VAT return for 2015-16 has been traced and confirmed as received in June 2017. The Clerk had still not submitting all 4 quarter VAT returns for 2016-17. Given that additional work required at yearend to account for these as debtors within the accounts, the figures used compared with those about to be submitted are very close; a difference of £73.16 exists, per the Clerk's computations.

Given that the year is progressing it is essential these returns are submitted and that every effort is made to prepare the two returns now outstanding in 2017/18. (1st & 2nd Quarters.)

The Clerk has explained that she is now much more confident with regard to VAT having only recently attended (in October) a VAT training course.

Internal Financial Control Checks – The Clerk continues to make on-line payments on behalf of the Council and these independent spot checks carried out by councillors are particularly important as their aim is to provide assurance that such delegation has not been abused. **It was evident that delays have arisen in councillors carrying out these checks; I would encourage councillors to carry out these checks more regularly for them to be best effective.**

20/10/2017 One councillor performed checks on June transactions.
27/10/2017 Two councillors were to perform checks on two preceding months checks.

Risk Assessment – Due to delays experienced in 2016/17 in the Council consolidating this process; the Risk Assessment was not formally approved by Council until April 2017. As a result the External Auditors regrettably qualified the accounts. **I would urge the Council to ensure its Risk Assessment/ Business Continuity Review is examined and approved at the earliest opportunity in order to ensure that the risk of this reoccurring is minimalized. Ideally by January/February 2018.**

I would also recommend that a “Key Task Calendar Framework” is introduced which ensures that such tasks are given set meeting deadlines to accomplish; this avoiding a decision to defer at a Council meeting leading to a timing issue.

Petty Cash – A spot check of the float was evidenced as carried out by two councillors on 20/10/17 and on 27/10/17 .Reliance has been placed on these checks and no further work carried out. **To provide best value I would urge that such independent checks carried out by councillors are more spread out during the year.**

External Audit Report for 2016-17- I can confirm that appropriate notices having been completed and publicly displayed together with a signed copy of the 2016-17 Annual Return in accordance with statutory guidance.

Strategic Plan – Visioning plan; I understand that the Council is to participate in a session designed to develop a future plan for the Council. I look forward to a strategic plan being the outcome of such an event. As previously reported the Council would benefit from such a plan; particularly as financially it's reserves are healthy.

I would encourage the Council to adopt a General Reserve policy, to support why its working capital, the General Reserve fund is so high. External auditors have the authority to challenge this as do the electors.

In conclusion should you or Council members have any queries with regard to this report please do not hesitate to contact me. I would like to thank you for your assistance and look forward to my next visit; planned for January 2018.

Best regards

Sue Hackett

Sue Hackett
(Retired ACMA Accountant & Member Institute Internal Auditors UK Ltd)