



SDH Accounting

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Mrs C Higgins
Clerk & RFO for Bayston Hill PC
The Parish Office
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20 March 2019

Dear Caroline,

RE: SECOND INTERIM INTERNAL AUDIT REPORT 2018-19

Audit visits took place on 6th and 20 March 2019 and concentrated on examining the following key areas; as identified in the audit plan. I would be most obliged if you could share this report with your Council members.

Summary of Findings:

1. Periodic bank account reconciliations were properly carried out.

I am pleased to report that the bank reconciliations as at 31/1/2019 (per Scribe) were examined and agreed.

2. Treasury Management

As at 1/4/18 Council funds were £306,142.

As at 31/1/19 Council funds were £372,922; comprising of:

Earmarked Account	£84,911	(Co-Op A/C Earning Nil interest)
CCLA Deposit Fund	£120,879	
Working Account	£75,735	(Co-Op Current A/C Nil interest)
Common Account	£3,000	(Co-Op A/C Earning Nil interest)
Unity Trust Bank	£448	
Unity Trust – Instant	£84,045	
LJC Reserve	£3,785	
Cash	£139	

In order to mitigate against non FSCS (Financial Services Compliance Scheme) compliance; council funds have been redistributed. However the Co-Op accounts remain in excess of the FSCS limits, the allocation to interest bearing accounts should be seen as a priority.

The Clerk/RFO is aware of this and is planning to transfer funds to maximise the Council's returns on its funds. I endorse this decision, particularly given that the annual precept is expected in April 2019.

3. Payments - Council's financial regulations have been met, payments were supported by invoices/vouchers, and expenditure was approved and VAT was appropriately accounted for.

A sample of 15 payments (which included several payroll related items) were examined and agreed to bank statements and the accounts. The payments were appropriately supported by invoices or supporting documentation appropriately initialled by two councillors authorising payment.

VAT Returns - I can confirm that the Clerk/RFO has successfully submitted the third quarter VAT return.

Council has recently resolved to spend £10,480 on the Police Commissioner Police & Crime Commissioner's "We don't buy crime initiative". The project involves match funding from the PCC and therefore usual procurement rules do not apply as Smartwater kits are sourced by the PCC.

4. Internal Financial Control Checks –There is evidence to support that the monthly independent spot checks carried out by councillors continue to be carried out. The checks have also been expanded on to include use of the debit card.
5. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

A Financial & General Risk Assessment - This risk assessment was approved by Council at their March 2019 meeting further demonstrating its ability to identify risks and compensating internal controls.

6. Expected income was fully received; properly recorded and promptly banked

A sample of receipt transactions (10) were traced to banking statements, and Scribe records. The sample included receipts from Football/Astro Turf bookings, Y&C Building hire and donations. Precept, neighbourhood fund grant receipts and VAT receipts were also confirmed.

The audit trail from bookings made, receipts collected and banked where appropriate was excellent with one exception relating to cash receipted by a councillor which failed to be timely transferred to the Clerk.

Egs: Y&C Building hire cash receipts received relating to bookings made between 11/1/18 – 10/7/2018 were not transferred to the Clerk until 20/7/18 (Total £176). Similarly building hire cash receipts relating to bookings made between 16/8/18 – 24/1/2019 were not transferred to the Clerk until 28/1/2019 (Total £96).

These delays are unreasonable and pose a risk, particularly as the cash would not I suspect be covered by the Council's insurance policy.

The control objective has been met with the exception of the above.

7. The annual precept requirement resulted from an adequate budgetary process; and progress against the budget was found to be regularly monitored by the council.

In Year Budget Monitoring – The Clerk/RFO has regularly provided Scribe monthly budget monitoring reports by cost centre and code summary to the Finance Committee as per Financial Rules.

Budget/Precept Setting 2019/20 - A detailed Budget Forecast was compiled by the RFO based on November year to date account balances and forecasted year end balances. The Forecast also took into account Allocated Reserves; expected receipts and future projects' spend. It was presented to the Finance Committee for consideration on 14 January 2019; recommending a precept of £149,338.

The Full Council formally approved the Budget; with one amendment to reflect the recent Smart water initiative "We don't buy crime" and resolved that a Precept application of £152,635 be made at their meeting in January 2019.

It is recommended that the numerical value of the Budget agreed is included in the minutes for the purpose of clarity.

8. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

Petty Cash was counted and agreed to supporting records on 20 March 2019. A sample of petty cash expenditure was traced to supporting receipts and supported that it related to incidental expenditure arising from postage, parking fees, red diesel and window cleaning. It was also evident that checks on petty cash were routinely carried out by councillors.

9. Salaries to employees were paid in accordance with the Council's approvals and PAYE & NI requirements were properly applied

Sample testing was carried out which involved comparing Payroll reports directly with SC Pension Fund payments; HMRC payments and employee net salary payments.

The Payroll records examined supported that monthly payroll was being timely processed; submissions to HMRC were regularly made; and password controlled, standing data such as tax codes; NI data etc. was accurate.

It was also evident that Councillors perform regular checks on Payroll records.

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 in April.

Best regards

Sue Hackett

Sue Hackett
Principal SDH Accounting Services