



SDH Accounting

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Mrs C Higgins
Clerk for Bayston Hill PC
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11 February 2018

Dear Caroline,

RE: SECOND INTERIM INTERNAL AUDIT REPORT 2017-18

The audit visit took place on 9th February 2018 and concentrated on examining the following key controls; as identified in the audit plan and following up on concerns raised during my last visit in November 2017. 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.

Summary of Findings to Date:

1. The Scribe Accounting System

A Scribe consultant has now set up the 2017/18 opening balances on Scribe; and the Clerk has confirmed that she has input 8 months of transactions bringing the accounts up to date as at 30/11/2017; the Clerk; has also completed a successful bank reconciliations as at 29/9/17 on Scribe. The Clerk continues to maintain the Receipts & Payments Excel Spreadsheets for 2017/18 as her prime accounts as well as Scribe because of problems experienced in the past with Scribe; this is commended as it represents an additional control.

Scribe now requires updating with year-end fast approaching; and reliance is also placed on it to produce the quarterly VAT returns. (See 3 below.)

- 2. Bank Reconciliations** - I am pleased to report that the bank reconciliation as at 29/9/2017 (Scribe) was re-performed and agreed and that the Clerk's most recent bank reconciliation (using Excel Spreadsheets) was as at 29/12/2017. Quarterly bank reconciliation of all accounts are presented to Council to check as part of their system of internal control.

3. **VAT Returns** - I can confirm that the Clerk has successfully submitted all 4 quarter VAT returns for 2016-17; and those relating to 2017-18 up until 30 September 2017. One quarter is currently outstanding (1/10/2017-31/12/2017.)
4. **Internal Financial Control Checks** – The Clerk continues to make most payments as on-line payments on behalf of the Council. The monthly independent spot checks carried out by councillors are a particularly important internal control as their aim is to provide assurance that such delegation has not been abused.

Although additional monthly spot checks have taken place since the last visit, delays still exist in councillors carrying out these checks; periods Nov - Jan 2018 remain unchecked; I would encourage councillors to carry out these checks more regularly for them to be most effective.

5. **Risk Assessment/ Business Continuity Review 2017/18** – The Risk Assessment/ Business Continuity Review has not as yet been formally approved by Council; but is due to be considered by the Finance Committee in February 2018 and considered by Full Council in March 2018.
I would urge the Council to ensure its Risk Assessment/ Business Continuity Review is examined and approved by Council at the earliest opportunity.

The Clerk has agreed to present a “Key Financial/Governance Task Calendar Framework” to Council when time permits; recognising its benefits.

6. **Strategic Plan** – The Council is developing a Vision Statement for the Council; and a further session is planned to develop this. I look forward to a Strategic Plan being the outcome of such an event. As Council’s reserves are currently very high; this will assist in developing projects and allocating funding appropriately to explain why the Council is holding such a high level of funds.
7. **Reserves & Investments** - A General Reserve policy is about to be presented to the Finance Committee for adoption.

I would recommend that such a policy is adopted by Council to support why its working capital, the General Reserve is so high. Please be aware that external auditors have the authority to challenge why the Council is holding a high level of reserves as can electors and the auditors can insist on the level being reduced.

As at 29/12/17 Council funds as reconciled (Excel Spreadsheets) at that time were £344,666. Approximately £ 244,287 has remained in three Co Op deposit accounts described as Ear marked Account; Common Account and Precept Reserve for in excess of 12 months. No transfers between these accounts and the Working account have been necessary during the current year to date.

The deposit accounts earn no interest it would be prudent to maximise funds held by investing these sums in an interest earning account.

(The CCLA Deposit Fund which earns interest and has no restrictions on access is a popular account used by local authorities and charities and could be considered by Council.)

8. Receipts - Further sample testing of receipt transactions made during the year was carried out and confirmed accounting transactions as described on Excel Receipt records to actual transactions processed via the Bank and supporting documentation. These included the precept, VAT refunds and fees relating to the hire of football pitches. VAT was appropriately identified as either 0; S or E on the excel spreadsheet.

9. Payments - Further sample testing of payment transactions made during the year was carried out and confirmed accounting transactions as described on Excel Payment records to actual transactions processed via the Bank and supporting documentation.

Payments were suitably authorised by Council as per their "Order of Payments Schedules". The latter being signed off by two councillors at each meeting. Evidence was found of best value being achieved and compliance with the Council's Financial Regulations as quotes were obtained for significant expenditure items. E.g. Council's street lighting maintenance and repairs contract.

10. Budget Monitoring & 2018-19 Budget/Precept Setting

In Year Budget Monitoring – The Payments ledger has enabled ongoing budget monitoring by the Finance Committee. The Clerk reports to Council primarily via their Committee structure spend against budget.

In November the Clerk presented a Budget Forecast report to full council following amendments the final draft was considered at the full council January meeting (FC 9.18) and adopted. It was noted that overall in year underspends and additional receipts arising from the delays in processing the previous year's VAT have resulted in Council funds increasing.

Projected year end balances are expected to be in the region of £320,000; based on a conservative forecasted spend of £24,000 and receipts of £1,098 between Jan – Mar 2018. This is a substantial increase when compared with that held as at 31/3/2017; £276,698. **It will also represent over twice that precepted for in 2018/19 and as such I expect it to be queried by the External Auditors.** (See 7 above.) Earmarked reserves and the high General Reserve will require careful explanation to the auditors, as on the face of it, the Council did not require to set such a high precept for 2018/19.

Precept Setting for 2018/19 – A precept of £152,635 was formally approved by full Council at their January meeting (Min FC 9.18); which as a result of changes in the council tax base did not result in a rise; compared with that of last year. Council formally approved both the precept and 2018/19 budget by resolution. The decision is well documented within the draft minutes.

11. Payroll - A reasonableness check was performed on the monthly salary payments made to date per the accounts; and fluctuations satisfactorily explained by staff changes i.e. casual employment of A.C. and changes in the work patterns of environment team members.

Monthly payroll was found to be regularly processed using Brightpay software and the Monthly Summary Payroll Sheet is evidenced as checked by two members prior to processing payments; which is an excellent control and commended. Regular deductions and payments are made in respect of PAYE & NI and Pension Contributions. Further detailed audit work will be carried out on my next visit.

In conclusion significant progress has been achieved in the setting up the 2017/18 accounts on Scribe; however with year-end fast approaching these need to be brought up to date as soon as possible. Council urgently need to address points highlighted in 4,5 and 7 before 31/3/2018.

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 March 2018.

Best regards

Sue Hackett

Sue Hackett
(Retired ACMA Accountant)