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Bayston Hill Parish Council
Parish Office
Lyth Hill Road
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Dear Chairman

Internal Audit for Bayston Hill Parish Council

I have completed the internal audit review for Bayston Hill Parish Council. I have carried out tests on the systems in place and have reviewed the internal controls. I confirm I have acted independently; the basis of the internal audit is by selective assessment of compliance with relevant procedures and controls.

A. Appropriate books of account

Appropriate books of account have been kept during the year. The council has used Scribe software to record the accounting transactions, the accounts are kept up to date and there is evidence they are balanced regularly.

B. Financial Regulations

It should be noted that the parish council was subject to fraud in November 2019, although this was in the previous financial year, the fraud did not come to light until the financial year under review. An email had been received from a person who purported was from Shropshire Council, to report the bank account had changed and that a recent invoice should be paid into the new account. The email was bogus, and the bank account details provided were not a bank account relating to Shropshire Council. A payment was made for £8,656 into the new account provided and not to Shropshire Council. The parish council became aware of this when Shropshire Council began to chase the invoice which according to their records, remained unpaid. The parish council has reported this and fortunately the Co-operative bank have managed to recover a large amount stolen from the bank where the bogus account was held. The full amount had not been recovered and the parish council was still over £2,000 out of pocket, Shropshire Council did agree to split the loss. The parish council has now put in place procedures for checking the ethnicity of similar future emails, the procedures have been implemented into the financial regulations which were reviewed and adopted in February 2021.

A sample of payments were tested to ascertain if an appropriate audit trail was evident. Of the sample payments tested, financial regulations were met, and payments were supported by receipts or invoices. There is evidence of 2 authorised signatories initialling invoices and the payments list to confirm they agree.

The parish council has recently opened a bank account with Unity bank where dual authority is required for making internet banking. The clerk can load payments but cannot authorise the payments, two separate signatories must log into the account independently to authorise the payments before they are made. There is a councillor who can log into the account to load the payments for authorisation in case the clerk is absent for any period of time. The authorised signatories should ensure they have adequate internet protection on the computers they use for the internet banking.

The parish council is VAT registered. VAT was applied where appropriate, payments were split out for VAT where applicable and quarterly VAT returns were submitted.

C. Risk Assessments

The risk assessment was reviewed by the parish council in March 2021. The council's insurance policy is satisfactory for the council's needs. Computer data is backed up to One Drive.

D. Precept

The precept was set after the budget was considered at a council meeting. There is evidence of financial monitoring reports being presented to Council and Finance Committee meetings.

Virements between budget headings were approved in February 2021 demonstrating good governance.

E. Income

The parish council has moved away from cash receipts during the year. Users of the parish council facilities are encouraged to make payment by internet banking wherever possible and a card reader made available for those who preferred to make payment in the office.

If any cash or cheque payments are made in the future then a carbonated, numbered receipt should be issued at the time the payment is made.

F. Petty Cash

There were two petty cash purchases made at the start of the financial year but apart from that the petty cash has not been used or topped up. I have counted the petty cash as at year end and agree it to the bank reconciliation balance.

Instead of using petty cash, the clerk has made purchases himself and then was reimbursed later. Receipts and invoices were present for the reimbursements. This scenario is not ideal and not all employees would be willing to do this. Going forward, either the petty cash system needs to be reutilised or a limited use debit card with appropriate controls implemented.

G. PAYE

The PAYE was administered in house using Brightpay payroll software. There is evidence in committee minutes of the minimum living wages rates being approved. Manual staff complete weekly timesheets and a limited amount of overtime can be authorised by the clerk. Any overtime worked by the clerk will be approved by a nominated councillor. Expenses paid are reasonable and receipted where appropriate.

Eligible employees have been enrolled into a qualifying pension scheme.

H. Asset Register

The parish council maintains an asset register which has been updated during the year.

I. Bank reconciliations

Bank reconciliations are carried out monthly and there is evidence of these being presented to council. I have recalculated the bank reconciliation statement as at 31 March 2021 and confirm the statement agrees to the accounting software and the bank statements as at that date.

J. Accounting Statements

The accounting statements are reported on an Income and Expenditure basis. Debtors and creditors have been appropriately accounted for and there is a working document present which reconciles the accounting statements to the cashbook.

K. Exemption

The council did not declare itself exempt from limited assurance audit during 2019/20.

L. Transparency Code

The council's turnover exceeds £25,000 and therefore this was not tested.

M. Public Rights

The notice for the public rights was correctly displayed in accordance with the Accounts and Audit Regulations.

N. Publication Requirements

The council has complied with the publication requirements for the 2019/20 AGAR, these documents can be found on the council website,

Reserves

Although the reserves are high, the majority are earmarked including a fund for a community hub and library.

I would like to thank your locum clerk, Shaun Jones, for his assistance in the interim internal audit review.

Yours sincerely

Diane Malley

Diane Malley MAAT