



# DM Payroll Services Ltd

7 New Road  
Far Forest  
Kidderminster  
Worcestershire  
DY14 9TQ

Tel: 01299 269188  
Mobile: 07967 857397  
[diane@dmpayrollservices.co.uk](mailto:diane@dmpayrollservices.co.uk)  
[www.dmpayrollservices.co.uk](http://www.dmpayrollservices.co.uk)

1<sup>st</sup> February 2021

Bayston Hill Parish Council  
Parish Office  
Lyth Hill Road  
Bayston Hill  
Shrewsbury  
SY3 0EW

Dear Chairman

## **Internal Audit for Bayston Hill Parish Council** **Interim Internal Audit Report**

I have undertaken the interim 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. Due to the coronavirus restrictions, the interim audit was carried out remotely with limited testing at this stage. A more thorough testing will take place following year end.

### **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**

The Financial Regulations have not yet been reviewed by council during the financial year, I understand this is to be reviewed over the next couple of months.

There is an audit trail of 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.

Currently the clerk makes payments by internet banking once the payments lists have been approved. The online banking process is not dual authority and I understand the main working account is in the process of being transferred over to Unity Bank where a dual payment authority will be implemented. This will strengthen the internal controls of the council.

VAT was accounted for and quarterly VAT returns were submitted.

### **C. Risk Assessments**

The risk assessment is yet to be considered by council for this financial year, I will review the risk assessment following the year end.

The council's insurance policy is satisfactory for the council's needs.

### **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.

There are several significant variances in actual receipts and payments compared against the current budget, but this is to be expected due to the limitations placed on the council by the coronavirus. The clerk left employment by the council during the year causing an underspend in this heading, this is offset by unexpected expenditure of a locum clerk, which was not budgeted for. The council could consider a virement between the budget headings, so the locum clerk budget heading isn't so overspent.

### **E. Income**

Income will be reviewed in detail following year end. I understand the process has changed in that cash receipts are now discouraged, and a square card payment system was introduced. The lack of handling cash receipts strengthens the internal controls of the council.

### **F. Petty Cash**

Petty cash will be tested following year end.

### **G. PAYE**

Testing on the PAYE will be carried out on the council premises due to data protection issues. It is understood the council has carried out the payroll inhouse during the year but plans to move the processing over to Shropshire Council in due course. There was an issue early in the financial year in the processing of the payroll and payment of members of staff when the clerk was sick. Moving the payroll to an external provider should alleviate this problem.

There is evidence in committee minutes of the minimum living wages rates being approved.

### **H. Asset Register**

The asset register will be reviewed following year end.

### **I. Bank reconciliations**

Bank reconciliations are carried out regularly and there is evidence of these being presented to council. It would tighten the internal controls of the council if the councillor responsible for spot checks also recalculates the bank reconciliation statement during the quarterly spot check. A bank reconciliation will immediately highlight any errors in the accounting records or bank statements and is therefore an important internal control.

I have recalculated the bank reconciliation statement as at 31 December 2020 and confirm the statement agrees to the accounting software and the bank statements as at that date.

### **J. Accounting Statements**

This will be tested after the year end.

**General**

In general, the accounting records are well kept and organised.

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

Registered company number 10880898

