

**DM PAYROLL SERVICES LTD**  
**INTERNAL AUDIT REPORT**  
**BAYSTON HILL PARISH COUNCIL**

**Date of Report: 28 April 2020**

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**

There is an audit trail of all sample payments tested, financial regulations were met, and payments were supported by receipts or invoices. There is evidence of a councillor carrying out spot checks on the internal control system and 2 authorised signatories initial invoices and the payments list to confirm they agree.

Currently the clerk makes payments by internet banking once the payments lists have been approved. As the council uses the Co-operative bank as the main working bank, it is possible to use internet banking plus which would allow for the clerk to load payments on the Co-operative bank ready for authorisation but the payments are not sent until a second signatory logs in to approve the payments are made. This would tighten the internal controls further.

Financial regulations were reviewed in June 2019 and again in February 2020. There is evidence of quotations being considered during council meetings.

VAT was accounted for and quarterly VAT returns were submitted.

**C. Risk Assessments**

The risk assessment was considered at the February and March 2020 council meetings including consideration to the clerk being a lone worker.

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 some financial monitoring reports being presented to Council and Finance Committee meetings

**E. Income**

Income receipts are provided using a pre-numbered receipts book. I was able to check a random selection of receipts had been accounted for and follow each receipt into the bank account.

Cash is kept in a safe with limited access. The cash is banked on a regular basis ensuring there are never large amounts of cash held on the premises and the amounts are under the insurance levels.

## **F. Petty Cash**

Petty cash was used to make appropriate purchases, receipts could be found on the test samples selected. There are regular petty cash re-imbursments.

## **G. PAYE**

Payroll is undertaken in-house using Brightpay software. The correct application of tax after pension deductions is applied. Qualifying staff are included in the Local Government Pension scheme. There is evidence that the RTI submissions have been made to HMRC.

The clerk's pay is as per the approved rate, there were no overtime or additional payments made to the clerk. The wardens and the caretaker submit timesheets which are checked by the clerk who then authorises any overtime. A random sample of pay documents were checked against the timesheets and were found to agree.

There is evidence in committee minutes of staff rates of pay being agreed.

## **H. Asset Register**

The asset register was reviewed by the council in May 2019. There is evidence the asset register is kept up to date during the year.

## **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 year end bank reconciliation statement and agree it.

## **J. Accounting Statements**

The year end accounts are prepared on an Income & Expenditure basis. Year end adjustment are correctly applied and the statements can be reconciled back to actual receipts and payments.

It was noted that in the previous year's AGAR the CCLA investment is included in the bank balances, however this is classed as a long term investment and consequently the external auditors will expect that it is recorded in the assets and long term investments box instead. This has now been moved across.

The year end reserves are quite high being over double the precept, however the council is aware of this and does have a strategic plan which will use some of the reserves.

## **General**

In general, the accounting records are well kept and organised. There are minutes in the minute book that are unsigned. It is important that the Chairman of the council meeting where the minutes are approved initials each page and signs the last page to show these are the approved minutes. If this is not done, then it is easy for an alternative minute to be inserted later.

I would like to thank your clerk, Caroline Higgins, for her assistance in the internal audit review.

*Diane Malley*

Diane Malley MAAT