

DM PAYROLL SERVICES LTD
INTERNAL AUDIT REPORT
ALVECHURCH PARISH COUNCIL

Date of Report: 4th May 2020

General

Due to the current Government guidelines in relation to Coronavirus, the audit this year was carried out remotely and therefore there have only been limited tests carried out on the systems in place and the review of internal controls. I was only able to pick test samples of income and payments in the last quarter and my findings are based on this.

I would like to carry out further testing once current guidelines are lifted and the clerk is back working in the office. There will be no additional fee for this.

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, the accounts are kept up to date and there is evidence in the minutes that the accounts are balanced regularly.

B. Financial Regulations

There is an audit trail of payment samples picked, payments were supported by receipts or invoices and payment schedules were reported to meetings.

Two quotations were sought for computer work during the year. I have been unable to test the number of tenders obtained for the purchase of play equipment during the year.

VAT was appropriately accounted for and VAT was reclaimed.

C. Risk Assessments

A number of officer led risk assessments were carried out during the year. The parish council should review its risk assessments at least annually to ensure they are up to date and adequately cover the council's activities.

The council's insurance cover includes public liability, employer's liability and fidelity guarantee and is adequate for the council's needs.

A back up of the council's data is stored off site remotely and the council has entered into a new computer maintenance contract.

D. Precept

The precept was set after the council considered its budget requirements for the year at a full council meeting. The precept amount was recorded in the minutes.

Financial monitoring reports of actual receipts and payments compared against the budget

are provided to committee and council meetings on a regular basis. Members should ensure the monitoring reports are understood so that any budgeted income and expenditure shortfalls/over spends can be considered and appropriate action taken.

The clerk has now implemented an additional financial monitoring report where any commitments can also be seen to allow the council to see what budget is available (uncommitted).

E. Income

There were no unusual receipts during the year. Interest has been recorded in the accounting records

A carbonated receipt book is available for use and should be used for every cash receipt.

F. Petty Cash

The petty cash has not been reviewed. I understand the balance still stands at £100 and there has been little or no use during the year. The petty cash balance has not been counted during the audit review.

G. PAYE

The PAYE was administered using Basic Tools for most of the year but has now been outsourced to an external company. PAYE and NIC has been calculated and RTI's submitted to HMRC. It has not been possible to test the correctness of calculations prior to the last quarter due to documentation being in the parish office. I will further test this area on a following visit.

Both members of staff have been enrolled into a pension scheme and the next declaration of compliance to the pension regulator is due in June 2020.

H. Asset Register

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

I. Bank reconciliations

The bank accounts are usually reconciled to the cash book monthly, although I understand a reconciliation did not take place in January. I have recalculated the year end bank reconciliation and agree the calculations.

Historically, bank reconciliations have been put to the council/finance committee and this has been minuted. All bank reconciliations put to council/committee should include a copy of un-presented receipts/payments and copies of all bank statements as at the date of the bank reconciliation.

For this internal control to be effective, the bank reconciliation should be recalculated by the council/committee, or at least one councillor who can report this has been carried out. This is because it is possible to manually input figures and therefore the council cannot 100% rely on the software produced report. The recalculation of the bank reconciliation does not take long in practice, the following steps need to be carried out:

1. Check brought forward figure is the same as the closing figure for the previous year.
2. Check the receipts total agrees with the cashbook
3. Check the payments total agrees with the cashbook.
4. Carry out the following calculation : brought forward figure plus receipts less payments should equal the total in the first half of the bank reconciliation statement
5. Check bank statement totals agree with the bank balances on the reconciliation statement
6. Total up any un-presented receipts and payments

7. Add up the total of the bank balances then add on any receipts not yet paid into the bank and deduct any payments made but not cashed.
8. This figure should equal the figure in 4. above.

J. Accounting Statements

The parish council prepares the accounting statements on an Income and Expenditure basis. The Scribe software produces a working document to show how the year end adjustments convert the Receipts and Payments into Income and Expenditure after debtors, creditors, prepayments and accruals are applied. The figures on this working document are the figures used on the Income and Expenditure report and these are then fed into the AGAR accounting statement figures. Initially the figures on the accounting statement did not match but after investigation this has been resolved.

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

Diane Malley

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