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7 June, 2017

The Parish Clerk

Ogborne St George Parish Council

Dear Mrs Morgan-Denn

**Internal Audit Letter Report
Ogborne St George Parish Council 2016/17**

The Accounts and Audit Arrangements introduced from 1st April 2002 (lighter touch audit) requires all Town and Parish Councils to implement an independent internal audit examination of their Accounts and Accounting processes annually. The Council have complied with the requirements in terms of independence by the Council decision making process by appointing Lightatouch to undertake the work for 2016/17.

This visit is to check that the Parish Council adhere to the requirements set out in the Governance and Accountability for Smaller Authorities in England ensuring that compliance is maintained. The visit took place on the 31 May 2017.

An Internal Audit testing strategy is set out in the current Governance and Accountability for Small Authorities in England appendix 5. This covers a “suggested approach to internal audit testing” covering 10 aspects ranging from Proper bookkeeping right through to Year-end procedures. Our Internal Audit testing is based on this approach.

Our initial discussion with the new Parish Clerk established what systems or procedures are in place but it was noted that some of the internal control framework during 2016/2017 was insufficient to meet the Governance and Accountability for Smaller Authorities. We have discussed this with the new Parish Clerk and identified the following areas:

- Parish Council Insurance
- Assets Register
- Effectiveness of Internal Audit
- Recording of entries in the Cashbook

need to be better controlled to meet the requirements set out in the Governance and Accountability for Smaller Authorities. The Parish Clerk is now working with the Internal Auditor to resolve these during 2017/2018.

A series of independent audit tests were then undertaken using the various financial records, vouchers, documents, Minutes, to ascertain the efficiency and effectiveness of where internal controls are working in practice.

As part of this internal audit review we checked that:

Bank Reconciliations

- the financial totals as at 31 March 2016 had been brought forward accurately.
- any un-presented cheques, and un-banked income at 31 March 2016 were checked to bank statements to verify these were banked in April 2016.
- all direct credits, standing orders, transfers were checked and accounted for the period 1 April 2016 to 31 March 2017.
- all income was banked and agreed to bank statements for the period 1 April 2016 – 31 March 2017.
- no bank reconciliations for the bank account had been carried out between 1 April 2016 – 31 March 2017, or totals agreed to those shown in the cash book.

Audit Note: It was noted that the cashbook information for 2016/2017 contained details of outstanding payments as at the end of 2015/2016. The Parish Clerk has included these sums in the 2016/2017 totals as at the 31 March 2017. We have now indicated those details relating to these entries and they have now been removed from the cashbook to ensure that the final balances and the bank account details agree as at the 31 March 2017.

- *We recommend that bank reconciliation are carried out on a regular basis and should be signed and dated by the Parish Clerk.*
- *We recommend that the Chairman of the Parish Council should sign and date the bank reconciliations on a regular basis to confirm that bank reconciliations have been carried out accurately as part of Parish Council scrutiny role.*
- *We also recommend that the cheque book stubs should be initialled by two Councillors who are mandated to sign cheques to confirm the amounts paid are agreed to the payment vouchers.*
- *We recommend that the cashbook entries for 2015/2016 are removed from the 2016/2017 cashbook and the totals agree to the bank account balances as at 31 March 2017.*
- *We recommend that each cheque should be recorded in the cash book as they are used to ensure that they are in sequential order of use.*

Income and Expenditure

- all un-presented cheque information as at 31 March 2017 was confirmed and that the details are accurate to the records held by Parish Council.
- test checks of the cash book totals for April 2016 – March 2017 were checked to payment vouchers/invoices paid to ensure that the details were correctly recorded and VAT elements extracted correctly.
- Income recorded in the bank accounts were checked to the remittances held in the accounts file and details matched to those entries shown in the cashbook.

VAT

- It was noted that a VAT reimbursement claim form had been submitted for a total of £548.50 for October 2016 to February 2017 to HMRC was received on 27 March 2017.
- The cash book provides for a column to extract the VAT elements and a check was carried out to agree the accuracy of all the amounts shown on the reimbursement claim to those elements that had been recorded both in the cash book and on the invoices for the period 1 April 2016 – 31 March 2017.

Audit Note: We noted that the Parish Clerk continues to submit VAT reimbursement claims forms to HMRC on a twice a year basis.

Recommendation: We recommend that in future the reimbursement claim form should be submitted quarterly or when the total for reimbursement reaches £100.

Banking and Investments

- It was noted that the Parish Council have one Deposit Bank Account:

Lloyds Business Bank Instant Account No 00457028

and this had a balance of £325.00 as at 31 March 2017.

- This Deposit Bank Account does not appear to be active as no movement has taken place during 2016/2017 apart from adding small amounts of interest totalling £0.12.

Recommendation: We recommend that consideration should be given to review the arrangements for keeping this bank account open. If it is considered necessary to hold this account then the Parish Council should seek to obtain better rates of interest for sums held in this bank account.

Parish Council Insurance

- The new Parish Clerk identified that the Parish Council did not hold any Insurance cover during 2016/2017.
- It is essential that the Parish Council have Insurance to guard against loss or damage to the Parish Council assets. The new Parish Clerk has identified this lack of control and this has now been remedied at the May 2017 Parish Council meeting when a resolution has been agreed for Insurance Cover from this date.
- It is noted that for a Parish Council of its size the Parish Council should obtain Employer Liability of £10m and Fidelity Guarantee of £150,000 which will be sufficient for the Parish Council in 2017/2018.

Audit Note: Although the Parish Council now hold Insurance Cover it is noted that as part of the requirements to satisfy the Governance and Accountability for Smaller Authorities this should not lapse in future so to provide adequate cover to the Parish Council for its activities.

Assets Register

- We confirmed with the Parish Clerk that the Asset Register has not been updated during 2016/2017

Audit Note: It was noted that the Assets Register has not been updated since 2012. The new Parish Clerk will be working with the Internal Auditor to bring the Assets Register up to date to ensure that all the assets owned by the Parish Council are identified and recorded on the Assets Register. Also where appropriate we will ensure that the Parish Clerk has included the information on the new Insurance Policy.

Risk Assessment

- It is noted that a Risk Assessments Policy was approved at the Parish Council meeting on 8 September 2016 although we have found no evidence that the Risk Assessment documentation has been updated since 2012. In discussion with the new Parish Clerk this will be reviewed and updated during 2017/2018.

Recommendation: We recommend that the Risk Register and risk assessment documentation is reviewed and updated in 2017/2018.

Parish Council Minutes

- We checked the details of Parish Council Minutes from April 2016 to March 2017 to record points of note and for any financial approval or decision that affected the budget of the Parish Council and to ensure that details were correctly shown in the Financial Ledger.

Audit Note: *It is noted that all Minutes should be formally signed by the Chairman of the Parish Council including each page being initialled to confirm that they are a true record of the decisions taken by the Parish Council has been implemented.*

End of Year Procedures

- A full check was carried out on the end of year documentation provided by the Parish Clerk to confirm the accuracy of the details to be submitted to the External Auditor. This also included the validation of any variances of totals between 2015/16 and 2016/17 shown on the Annual Return in Section 2 as required by the External Auditor which is over 10%
- After consultation with the new Parish Clerk we are satisfied that the information provided confirms the accuracy of the details to be shown in Section 2 of the Annual Return and therefore have signed Section 4 of the Annual Return.
- Due to the inadequacy of some of the internal control framework in 2016/2107 some of the internal control statements shown in Section 4 of the Annual Return have been completed giving a "No" opinion for 2016/2107. However, we are satisfied that the new Parish Clerk is now working toward ensuring those areas highlighted for improvement will be implemented during 2017/2018.

Conclusion

This letter report should be noted and taken to the next meeting of the Parish Council to inform them of the Internal Audit work carried out. The details of this Internal Audit Report Letter should be also be minuted by the Parish Council.

Yours sincerely,

Tim Light FMAAT
Internal Auditor