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27 April 2017

The Parish Clerk  
East Tisted Parish Council  
Old Station House  
East Tisted  
Alton  
Hants  
GU34 3QU

Dear Mrs Evison

**Internal Audit Letter Report for East Tisted Parish Council 2016/17**

**April 2016 – March 2017**

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 in 2016/2017, 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 20 April 2017.

An Internal Audit testing strategy is set out in the current, Governance and Accountability for Small Authorities in England appendix 3. 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.

It is noted that the current Locum Parish Clerk has been in post since August 2016 after the resignation of the previous Parish Clerk in May 2016. It is further noted that the Parish Clerk is also a Parish Councillor for East Tisted Parish Council.

Our initial discussion with the Parish Clerk established if there were systems or procedure changes to the internal controls from the previous period. A series of independent audit tests were then undertaken using the various financial records, vouchers, documents, Minutes, insurance documentation to ascertain the efficiency and effectiveness of these internal controls.

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April 27, 2017

Page 2

We discussed the need for the Parish Council to be aware of the requirement for the Smaller Authorities Transparency Code and the need for the Parish Council to consider the option for External Audit in 2017/2018. A document produced by the Smaller Authorities' Audit Appointments Limited was left with the Locum Parish Clerk to aid the Parish Council in ensuring they adhere to the Code.

It was discussed with the Parish Clerk that the sum held for Chairman's allowance in the sum of £100.00 should now be paid in as income to the Parish Council if this allowance is no longer required. It was further discussed that the Parish Council should record in the Minutes that the Chairman's allowance will no longer be used until such time in the future there is need to reintroduce this for any new Chairman of the Parish Council.

As part of the Internal Audit Review we checked:

**Bank Reconciliations – TSB Treasurers Account No 00009963**

- the financial totals as at 31 March 2016 had been brought forward accurately.
- any un-presented cheques, on line payments and un-banked income at 31 March 2016 were checked to bank statements to verify these were banked in April 2016.
- all bank giro credit income was banked and agreed to bank statements for the period 1 April 2016 – 31 March 2017.
- bank reconciliations for the bank account had been carried out between 1 April 2016 – 31 March 2017, and totals agreed to those shown in the cash book.

***Audit Note:** It was noted that the bank reconciliations are not signed by the Chairman of the Parish Council to indicate that the accuracy of the bank reconciliation has been confirmed.*

**Recommendation:** We recommend that the Chairman of the Parish Council should sign and date the bank reconciliations at each Parish Council meeting to confirm that bank reconciliations have been carried out accurately as part of Parish Council scrutiny role.

**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 reimbursement claim form had been submitted on the 30 March 2017 for a total of £20.30 for the 2016/17 to HMRC which covered the period 1 March 2016 to 28 February 2017.

April 27, 2017

Page 3

•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 will continue to submit VAT reimbursement claims forms to HMRC on a once a year basis:

#### **Payroll Information**

•Payroll information for the previous Parish Clerk (who left in May 2016) was checked to ensure that suitable arrangements were in place to ensure that PAYE, National Insurance Contributions for the period April 2016 to May 2016 was deducted and paid to HMRC.

**Audit Note:** It is noted that the current Parish Clerk does not draw any salary from the Parish Council due to her status as a Parish Councillor.

#### **Assets Register**

•we confirmed with the Parish Clerk that the Asset Register has recently been reviewed and that the current position for the ownership of the Village Hall has recently been pursued to confirm if it is an Asset of the Parish Council. Subsequently the Parish Clerk has updated the Asset Register to show that it was gifted to the Parish Council in 1935 and will check that the Village Hall is insured separately by the Village Hall Committee.

**Audit Note:** It was agreed that the Parish Clerk will review that the Insurance Policy for the Parish Council will be updated with these details.

#### **Risk Assessment**

• the Governance and Accountability Manual recommends that Parish Councils should make an assessment and review their risks each year. In discussion with the Parish Clerk it is noted that the Risk Register for the Parish Council has not been reviewed since 2015.

**Recommendation:** We recommend that an assessment of the risk for the Parish Council should be reviewed on an annual basis. This should be approved by and minuted by the Parish Council.

#### **Insurance Cover**

• the Insurance Cover for the Parish Council and noted that it is brokered through Came and Co and held with Hixcox Policy Number 1891376. The current level of cover includes Employer Liability of £10m and Fidelity Guarantee of £150,000 which is sufficient for the Parish Council in 2016/2017.

#### **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.

**Recommendation:** We recommend that as well being signed the Minutes should be initialled on each page to confirm that they are a true record of the decisions and approvals taken by the Parish Council.

**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%
- 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.
- All of the internal control statements shown in Section 4 of the Annual Return have been completed to show in our opinion that one of the internal control statements requires further attention by the Parish Council.

**Conclusion**

The various transactions elements of the Parish Council are of an adequate standard of control with the exception of where recommendations have been made above and the need to ensure that the requirement for assessing and management of risks is reviewed annually and recorded in the Minutes of the Parish Council.

This Internal Audit 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 also be minuted by the Parish Council.

Yours sincerely,

Tim Light FMAAT

Internal Auditor

A handwritten signature in black ink, appearing to be 'TJL' with a large, stylized flourish extending from the end.