

**MS AUDIT & CONSULTANCY SERVICES**

**PARISH COUNCIL AUDIT**  
*servicing your community*

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Samantha Lockwood  
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7th June 2022

Dear Samantha,

**LONG WHATTON PARISH COUNCIL – INTERNAL AUDIT REPORT 2021/22**

This is the first year I have been engaged to provide an annual internal audit service to the Parish Council.

I have reviewed all the necessary financial and other records required, in order to complete my audit report in the Annual Governance and Accountability Return (AGAR) for 2021/22.

For the purposes of the AGAR, all internal control objectives were met. The Accounting Statements in the AGAR 2021/22 were agreed to the underlying records. An end of audit discussion resolved a number of queries and the following recommendations are made for improving internal control:-

**MATTERS ARISING**

**1. FINANCIAL REGULATIONS**

1.1 For operational reasons during the recent Pandemic, there has been a change from the primary method of paying invoices by cheque, to the BACS payment method. Previously, the internal control on an invoice payment was that, two councillors (approved signatories) signed a payment cheque (after a payment schedule had been authorised by the council). The payment cheque acted as direct instruction to the bank to make a payment. This provided a segregation of duties between the preparation of the payment (by the Clerk) and the instruction to the bank.

1.2 When the electronic BACS method replaced payment by cheque, the instruction to the bank to make payment was delegated to the Clerk. A subsequent check on these payments is done on line by the Chairman to ensure that "payments have been made correctly as per approved invoices by the council". However, that online check

cannot be evidenced on line and the BACS authorisation instruction is not printed off for inspection.

### Recommendations

1.3 FRs need updating to reflect that the primary method of payment of invoices is now BACS. In addition, FRs need to confirm the specific checks and balances that are in place and how this is to be evidenced.

1.4 BACS instructions to the bank should be retained for inspection by councillors and internal audit.

## 2.CASH BOOK (Audit trail)

2.1 The SCRIBE cash book is in the form of two separate reports listing payments and receipts. It was found that invoices were not cross referenced to transaction voucher numbers in the cash book or on the bank statements.

2.2 When there are multiple transactions, a single amount is usually paid to the payee (which is correct). However, the SCRIBE cash book lists each payment making up the single payment but does not subtotal them to match the single payment in the bank payment. This is a development issue which SCRIBE software support should be asked to address.

### Recommendations

2.3 Invoices should be fully cross referenced to the "cash book" voucher number in order to improve the audit trail.

2.4 SCRIBE software support should be requested to address the need to sub-total multiple invoices payments, when these are combined to make a single payment to a supplier.

## 3.INVOICES

3.1 Invoices are mostly received by e-mail but not printed off. They are uploaded to the SCRIBE accounting system so that councillors can review them if necessary. Although procedures (FR 5.3 & 5.4) state that the RFO shall examine, verify and certify the invoices to confirm that the work, goods or services have been received, this is not evidenced on the electronic copy of invoices.

### Recommendations

3.2 In addition to the existing procedure, a hard copy of all invoices should be made as a matter of routine for inspection by councillors, the public and for audit purposes.

3.3 Guidance on invoice certification procedures is set out in NALCS practitioners guide (JPAG 2021 Section 4.20) and states that "ideally, a suitably designed certification stamp should be in place providing evidencing of these checks and payment authorisation". For example a certification stamp would include separate boxes for initialling and the audit trail information as below:-

- (i) Goods/Services received
- (ii) Prices checked
- (iii) Budget code allocated
- (iv) Cash Book transaction number



4. BANK RECONCILIATIONS

4.1 FR 2.2 states that bank reconciliations for all accounts will be carried out quarterly and signed off by a member and reported to council. There was only one bank reconciliation on file, which was for the 31/3/22 but it had not been signed off or taken to Council

**Recommendation**

4.2 Bank reconciliations should be carried out at least quarterly and signed off by a councillor. A copy of the bank statement and cash book page showing the cumulative payments and receipts should be attached to the bank reconciliation for checking by a councillor.

If you have any queries concerning my report please let me know.

Yours sincerely  


Mike Spencer  
Audit and Risk Management Consultant