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# **Chalfont St Giles Parish Council**

*Internal Audit Report 2017-18: Interim*

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## **Background**

All town and parish councils are required by statute to make arrangements for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return. Auditing Solutions Ltd has provided this service the Council since the outset of the “Limited assurance” audit arrangements.

This report sets out the work undertaken in relation to the 2017-18 financial year, during our interim visit to the Council, which took place on 31<sup>st</sup> October 2017. The report will be updated following our final visit the date of which has to be determined, but will be arranged to follow closure of the year’s Accounts and once the Annual Return is ready for our “sign-off”.

## **Internal Audit Approach**

In commencing our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/Annual Return. Our programme of cover has been designed to afford appropriate assurance that the Council’s financial systems remain robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council’s own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the ‘Internal Audit Report’ in the Council’s Annual Return, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We are pleased to conclude that, in the areas examined to date, the Council continues to operate effective control systems that should help ensure that transactions are free from material misstatement and are reported accurately in the Annual Return and detailed Statement of Accounts for the financial year. No issues have been identified in the areas examined to date warranting formal comment or recommendation.

We thank the clerk for the clear manner in which the records are maintained which assists our review process.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The clerk has continued to use the RBS Rialtas Omega accounting software.

The Council now operates three bank accounts with NatWest, together with a further significant balance retained in a Building Society deposit account.

We have, consequently:

- Agreed the opening Omega trial balance for 2017-18 with the 2016-17 closing trial balance and certified Annual Return detail;
- Checked that a full and effective cost centre and nominal account code structure remains operational;
- Examined and verified three months' account transactions on the NatWest Current account (April, June and September 2017) by reference to supporting bank statements;
- Examined similarly the transactions on all other accounts for the financial year to 30<sup>th</sup> September 2017, again by reference to bank statements and, the Building Society bank deposit book;
- Verified the accuracy of bank reconciliations on the current and reserve accounts for each of the above month-ends; and
- Examined the controls in place over the preparation and certification of journal postings to the accounting software.

### *Conclusions*

*We are pleased to record that no significant issues have been identified in this area currently warranting formal comment or recommendation. We shall undertake further work at our final visit checking at least one further month's transactions on the current account and all on the others, also ensuring the accuracy of the year-end bank reconciliations and accurate disclosure of the combined cash and bank account balances in the Annual Return.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We have examined the full Council's and standing Committees' minutes for the financial year to date in 2017-18 to identify whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability.

We noted in last year's reports that, following our previous recommendation, the Council reviewed and adopted revised Standing Orders and Financial Regulations based on the latest available NALC model documents and taking due account of the relatively recent changes in EU and Public Contracts Regulations with a formal value of £25,000 set for formal tender action. We note that further reviews of both documents are planned in the near future and will monitor the outcome at our final visit.

### ***Conclusions***

***No issues have been identified in this area this year: we will continue to review and assess the Council's approach to governance at future visits.***

## **Review of Expenditure**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt is obtained, where no other form of invoice is available;
- An official order has been raised covering the purchase where no formal contractual arrangement is in place;; and
- VAT has been appropriately identified and coded to the control account for periodic recovery and that submissions have been returned in a timely manner.

We have selected a sample of 20 individual payments processed during the financial year to 30<sup>th</sup> September 2017, including the monthly payments to Chiltern DC for car parking at Blizzards Yard for compliance with the above criteria: our test sample includes all those payments individually in excess of £1,000, plus every 15<sup>th</sup> other payment as recorded in the Omega cashbooks and totals £37,500 equating to 66% of the value of non-pay related payments in the year to that date with all the above criteria appropriately met.

### ***Conclusions***

***We are pleased to report that no significant matters exist in this area currently: we shall extend our test sample of payments to cover the remainder of the financial year at our final visit, also examining the quarterly prepared and submitted to HMRC VAT reclaims ensuring that they accurately reflect the detail in the financial ledgers.***

## **Assessment and Management of Risk**

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also

ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition.

We noted last year that an appropriate review of the potential risks was undertaken and adopted by the Council in August 2016. We take this opportunity to remind the clerk and members that these risk assessments should be subjected to annual review, update (if applicable) and formal re-adoption at least once annually.

We have examined the Council's current insurance policy, now with Axa, to ensure that appropriate cover is in place, noting that Employer's and Public Liability cover stand at £10 million, together with Hirer's Liability at £5 million and Fidelity Guarantee cover at £650,000, all of which we consider appropriate for the Council's present requirements.

### *Conclusions*

*We are pleased to report that no matters have been identified in this area warranting formal comment or recommendation this year: we will continue to monitor the Council's approach to risk management at our final visit ensuring compliance with the Governance and Accountability Manual (G&AM) with the register re-adopted by the Council again during the current financial year.*

## **Precept Determination and Budgetary Control**

Our aim here is to ensure that: -

- The Council has undertaken a budget determination exercise, which forms the basis of the annual precept request;
- The Council receives regular reports identifying the budget position throughout the year;
- The Council has formally approved the establishment of specific reserves;
- The utilisation of reserves and the return of unused balances to the General Fund are reported to the Council at regular intervals; and
- Year-end reserves and General Fund balances are reviewed to ensure that they are both appropriate and are likely to be utilised.

This interim visit was undertaken in advance of any formal conclusions being reached on the 2018-19 budgetary and precept requirements of the Council: consequently, we shall revisit the area at our final visit.

We are however pleased to note that members continue to receive regular budget reports and have examined the latest available budget performance report (as at 30<sup>th</sup> September 2017) with no significant or unexplained / unanticipated variances warranting further enquiry or action by officers.

### *Conclusions*

*We are pleased to record that no issues arise in this area currently, as indicated above, we shall undertake further work in this area at our final visit, not only ensuring the satisfactory completion of the budget and precept assessments for 2018-19, but also*

*reviewing the year-end budget outturn and ensuring the appropriateness of year-end balances to finance the Council's ongoing revenue spending requirements and any future development aspirations.*

## **Review of Income**

The Council receives income from a limited variety of sources annually in addition to the precept. We have examined the procedures in place in relation to the recovery of burial and associated fees checking detail of the year to date interments and ensuring that, for each, appropriate undertaker's applications were held, duly supported by either a cremation or burial certificate and that the appropriate fees had been charged and recovered in a timely manner.

We have also examined the detailed nominal income transaction reports as at 30<sup>th</sup> September 2017 ensuring that, as far as we are reasonably able to ascertain, no significant miscodings have occurred and all income due to the Council has been recovered appropriately.

### **Conclusions**

*We are pleased to record that no issues arise in this area warranting formal comment or recommendation currently: we shall undertake further work at our final visit examining the nominal ledgers and updating our year-on-year analysis of income across the various nominal account codes.*

## **Petty Cash Account**

The Council operates a petty cash account on an imprest basis with a maximum float of £250 with transactions recorded in a separate cashbook in the accounting software.

We have examined all transactions as recorded for the year to 30<sup>th</sup> September 2017 ensuring that each is supported by an appropriate till receipt, invoice or signed acknowledgement of receipt. We have also ensured that, where applicable, any VAT expended has been identified and coded appropriately for recovery in the accounting software.

Finally, we have checked and agreed the physical cash held at the time of this interim visit.

### **Conclusions**

*No issues arise in this area warranting formal comment or recommendation.*

## **Salaries and Wages**

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as most recently updated from 1<sup>st</sup> April 2017 in relation to changes in the employee contribution bandings. Preparation of the payroll continues to be outsourced to Aylesbury Vale District Council.

We have checked detail of the gross pay applicable in September 2017 by reference to copies of pay slips and the Clerk's advice on salary rates in payment and minutes approving changes, where appropriate. We have also, by reference to the HMRC Basic PAYE Tools on-line software, verified the appropriate deduction of tax and NI contributions from each employee, also verifying that the appropriate percentage pension contributions have been applied for each member of staff contributing to the pension fund: we again note that the clerk's pension has been arranged with NEST and have similarly checked the monthly contributions.

***Conclusions***

***No issues have arisen in this area warranting formal comment or recommendation.***

**Investments and Loans**

We aim in this area to ensure that the Council is taking all appropriate measures to ensure that it maximises the recoverable interest on its surplus funds, again noting that almost £183,000 is held in a Building Society deposit account. We are pleased to note the adoption of formal Investment Policy also noting that the Council is considering alternative "investment" options currently.

The Council has no loans repayable to a third party with the previously issued advance to the Youth Club repaid in full last year.

***Conclusions***

***No issues arise in this review area.***