
Chalfont St Giles Parish Council

Internal Audit Report 2017-18: Final update

Stuart J Pollard

Auditing Solutions Ltd

Background

Statute requires all town and parish councils to arrange 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 Governance and Accountability Return (AGAR)

This report sets out the work undertaken in relation to the 2017-18 financial year, during our two visits to the Council, which took place on 31st October 2017 & 1st March 2018.

Internal Audit Approach

In conducting 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/AGAR. 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 AGAR, which requires independent assurance over ten internal control objectives.

Overall Conclusion

We are pleased to conclude that, in the areas examined this year, the Council continues to operate effective control systems that help ensure that transactions are free from material misstatement and are reported accurately in the AGAR or the financial year. We also thank the clerk for the clear way the records are maintained which assists our review process.

We are pleased to report that no issues have been identified in the areas examined warranting formal comment or recommendation and have duly signed off the Internal Audit Report assigning positive assurances in each relevant area, excepting that in relation to risk assessments, as, whilst they have been reviewed during the year, the relevant documentation has not been submitted to or been adopted formally by the Council. Consequently, the Council will need to give a negative assertion in the AGAR at Section 1, Box 5.

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 AGAR detail;
- Checked that a full and effective cost centre and nominal account code structure remains operational;
- Examined and verified four months' account transactions on the NatWest Current account (April, June and September 2017, plus March 2018) by reference to supporting bank statements;
- Examined similarly the transactions on all other accounts for the full financial year, 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;
- Examined the controls in place over the preparation and certification of journal postings to the accounting software; and
- Ensured the accurate disclosure of the combined cash and bank balances in the AGAR at Section 2.

Conclusions

We are pleased to record that no issues have been identified in this area warranting formal comment or recommendation.

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 (SOs) 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 note that the Clerk is aware of the very recent issue by NALC of a revised set of model Standing Orders, also noting her intention to review the Council's extant documentation to incorporate the revised model detail and will monitor the outcome at our next visit.

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

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 note the implementation of internet banking and payment processing and have discussed the controls in place with the clerk and consider them sound and to afford an appropriate degree of security to transactions made through that media.

We have selected a sample of 40 individual payments processed during the financial year, together with 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 15th other payment as recorded in the Omega cashbooks and totals £60,200 equating to 56% of the value of non-pay related payments in the year with all the above criteria appropriately met.

We have examined and agreed the quarterly VAT returns agreeing the reclaimed balances to the underlying Omega accounting control account.

Conclusions

We are pleased to report that no significant matters have been identified in this area.

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 to minimise the opportunity for their coming to fruition.

Whilst we note that a review of the potential risks has been undertaken by the clerk with the previously prepared documentation (policy and register) duly updated, neither has been presented to the Council for formal re-adoption during the financial year due to other work pressures. Consequently, we have had to assign a negative response in the appropriate section of the year's IA Report.

We have examined the Council's current insurance policy, now with Axa, 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 and recommendation

Due to the absence of any formal re-adoption of the Council's risk assessment documentation during the year, contrary to the requirements of the Practitioner's Guide – Governance and Accountability Manual (G&AM), the Council will have to give a negative assertion in the AGAR at Section 1, Box 5.

R1. The Council must ensure compliance with the requirements of the Governance and Accountability Manual, reviewing and adopting formally the Council's risk register.

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.

We are pleased to note the satisfactory conclusion of the Council's 2018-19 budget and precept deliberations with the latter formally approved and adopted at the December 2017 full Council meeting at £207,194.

We are also pleased to note that members continue to receive regular budget reports and have examined the current Omega budget report detail with no significant or unexplained / unanticipated variances warranting further enquiry of or action by officers.

We have also considered the appropriateness of the level of retained reserves noting that the General Fund balance has increased marginally to £84,000 at 31st March 2018 (£78,900 as at 31st March 2017), together with funds held in earmarked reserves now totalling £578,500 (£531,800 at the previous financial year-end). The General Reserve balance equates to five months' revenue spending at the 2017-18 level and is considered appropriate for the Council's ongoing spending plans.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

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's interments to the date of our interim review 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 at the financial year-end 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.

Finally, in this area, we have updated our year-on-year analysis of income across each nominal income code in the accounting software, the output of which will be considered when planning our approach to the 2018-19 review.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation.

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 30th 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.

Review of Staff Salaries

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 1st 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.

Fixed Asset Register / Inventory

The aforementioned Governance & Accountability Manual (G&AM) requires all councils to maintain a record of all assets owned. We are pleased to note the existence and maintenance of an appropriate register, which has been updated to reflect detail of new acquisitions in the year at cost price, as required by the G&AM. We have, consequently, verified the asset value reported in the year's AGAR at Section 2, Box 9.

Conclusions

We are pleased to record that no matters arise in this area.

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 continues to consider alternative "investment" options.

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.

Statement of Accounts and AGAR

As reported last year, the Omega software automatically generates the year-end detailed accounting information including a Balance Sheet, Income / Expenditure Account and AGAR data. We have consequently reviewed and verified the accurate detail in these reports and its subsequent disclosure in Section 2 of the year's AGAR.

We have also examined the Council's procedures in relation to the identification of year-end debtors and creditors with no issues arising.

Conclusions

No additional issues arise in this review area and, based on the satisfactory conclusions drawn from the work undertaken this year, we have duly signed off the Internal Audit Report assigning positive assurances in each relevant area other than in relation to risk assessments, as detailed in a previous section of this report.

| Rec. No. | Recommendation | Response |
|--|--|----------|
| Assessment and Management of Risk | | |
| R1 | The Council must ensure compliance with the requirements of the Governance and Accountability Manual, reviewing and adopting formally the Council's risk register. | |