
Chalfont St Giles Parish Council

Internal Audit Report 2018-19: 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 to the Council since the outset of the “Limited assurance” audit arrangements.

This report sets out the work undertaken in relation to the 2018-19 financial year, during our interim visit to the Council, which took place on 11th October 2018. The report will be updated following our final visit, the date of which has yet 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 mis-recording 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 on a number of internal control objectives.

Overall Conclusion

Based on our interim visit the Council continues to maintain clear records well supported by suitable documentation. We have one query which the Clerk is investigating. This relates to an anomaly in the automatic reports generated by the Rialtas Omega Ledger System and appears to be a software issue. A duplicate payment was reversed out of the Council’s cash book in August 2018 to correct an error in May 2018. The original entry appears to have been made in April, appearing as an outstanding item in the April reconciliation, however we could not see the original entry in the automatically generated cash book report for April. The issue appears to relate to the software reports and the Clerk is checking and speaking to the software supplier as necessary.

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 continues to use the RBS Rialtas Omega accounting software.

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

We have:

- Agreed the opening Rialtas Omega trial balance for 2018-19 with the 2017-18 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 two month's transactions on the Council's Cash Book to the NatWest Current account (May and August 2018) by reference to supporting bank statements;
- Examined similarly the transactions on all other accounts for the financial year to 30th August 2018, again by reference to bank statements and, the Building Society bank deposit book, we note the interest is applied annually to the Building Society Book each December;
- Verified the accuracy of bank reconciliations on the current and reserve accounts for each of the above month-ends; and
- Discussed and examined the controls in place over the accounting software including the posting of journals and back up arrangements.

We note a payment appears to have been made in April for waste services of £90.67. The payment did not appear in the automatically generated cash book report, although appears as an outstanding item in the April reconciliation. A duplicate entry was made in May and then corrected in August. The Cash Book report should show all payments going through, there is an apparent software anomaly in the automatically generated report for April.

Conclusions and recommendation

The Council continues to complete regular bank reconciliations which are signed off by Members. Overall the records are clear, but we request the anomaly in the automatic cash book report referred to above is investigated and explained to ensure there are no further errors in the software reports. We shall undertake further work at our final visit checking at least one further month's transactions on the current account and on all 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.

R1. The Clerk should investigate the software anomaly in the automatically generated cash book report for April 2018.

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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 2018-19 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 note that Standing Orders were reviewed on October 3rd and Financial Regulations were reviewed in March 2018. In discussion with the Clerk we understand the Council sometimes experiences difficulty obtaining quotes due to the demands on local builders. We note Financial Regulations require the Council to strive to obtain two estimates where the value of planned works is below £5,000 but above £1,000, otherwise, regulation 10.3 shall apply which says the Council are responsible for obtaining VFM. Where in future it is not possible to obtain quotes the Council may wish to consider minuting in detail the actions taken to ensure value for money.

Conclusions

No issues have been identified in this area from our work completed to date requiring formal recommendations: 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 23 individual payments processed during the financial year to 31st August 2018, 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 15th other payment as recorded in the Omega

cashbooks and totals £37,807 equating to 69% of the value of non-pay related payments in the year to that date with all the above criteria appropriately met.

We reviewed the return made to HMRC for the recovery of VAT for the first quarter and agreed the amount claimed and recovered to the Council's cash book. We note the second quarter will be claimed in October.

Conclusions

We are pleased to report that no 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.

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 will review the Council's risk assessment at our final visit and 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, 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. The latter is less than the Council's cash and investments.

Conclusions and recommendation

We noted one significant matter relating to the need to review fidelity guarantee insurance: 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 risk register re-adopted by the Council again during the current financial year.

R2. The Council should ensure its Fidelity Guarantee cover matches the level of cash and investments held during the 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 2019-20 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.

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 2019-20, but also reviewing the 2018-19 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 the detail of the year to date ensuring that an appropriate undertaker's application was held, duly supported by either a cremation or burial certificate and that the appropriate fees had been charged and recovered in a timely manner.

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 31st August 2018 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.

We note the Council may be considering obtaining a credit card to be held by the Clerk to facilitate small payments. We have discussed with the Clerk the type of audit controls that are

likely to be needed. We will review arrangements should the Council proceed and make any formal recommendations to assist the Council at future visits.

Conclusions

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

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 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 June 2018 by reference to copies of pay slips and the Clerk's signed contract of employment. We have also for June, verified the appropriate deduction of tax and NI contributions from each of the two staff employed at that time, 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 £184,207 is held in a Building Society deposit account. We note the Council currently has a working party reviewing its investments and Investment Policy with a view to considering the possible need for alternative "investment" options.

The Council has no loans repayable to a third party.

Conclusions

No issues arise currently in this review area.

Recommendation	Response
Review of Income	
R1. The Clerk should investigate the software anomaly in the automatically generated cash book report for April 2018.	
R2. The Council should ensure its Fidelity Guarantee cover matches the level of cash and investments held during the year.	