

Chalfont St Giles Parish Council

Internal Audit Report 2018-19: Final

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For and on behalf of Auditing Solutions Ltd

Background

All town and parish councils are required by statute 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 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 two visits to the Council, which took place on 11th October 2018 and 1st May 2019, together with the preparatory work done off site.

Internal Audit Approach

In undertaking 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 Governance and Accountability Return (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 on a number of internal control objectives.

Overall Conclusion

Based on the work we have completed this year the Council continues to maintain clear records well supported by suitable documentation. We have signed off the Internal Audit Report in the AGAR giving positive assurances in all areas.

We wish to thank the Clerk for her assistance and request that this report is presented to Members.

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.

At our first visit in October 2018 we:

- Agreed the opening Rialtas Omega trial balance for 2018-19 with the 2017-18 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 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 31st 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.

At our final visit in May 2019 we:

- Confirmed the Rialtas accounting system was in balance by running a data check, specifically that the trial balance agreed to the nominal ledger;
- Examined the March 2019 transactions in the Council's Cash books for all accounts, agreeing amounts to bank statements and testing transfers between bank accounts;
- Agreed the 31st March reconciliations on all accounts; and
- Confirming the annual interest on the Building Society Account had been recorded in the accounts and agreeing the year end balance to the Building Society Statement.

At our interim visit we noted a payment of £90.67 appeared to have been made in April for waste services. 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. At our year end visit the matter had cleared and all reconciliations were in order, the issue reflects the timing of when reports are run.

Conclusions

The Council continues to complete regular bank reconciliations which are signed off by Members. The anomaly at the beginning of the year we conclude was a system error. Overall the records are clear. We have confirmed the accuracy of the year-end bank reconciliations and accurate disclosure of the combined cash and bank account balances in the Annual Governance and Accountability Return (AGAR).

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 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 2019. 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. At our final visit we note the minutes record the difficulties obtaining quotes for work on the Community Library and commend the Council for recording the matter which provides evidence against any future challenge around the number of quotes obtained. We note the minutes continue to record discussion of risks, Council leases and investment strategy which are all relevant for our audit.

Conclusions

We are pleased to report that no matters have been identified from this area of our work. The Council continues to maintain suitable governance arrangements.

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 extended our interim sample testing a full year sample of 54 payments processed during the financial year to 31st March 2019, 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 Rialtas Omega cashbooks and totals £94,219 equating to 68% of the value of non-pay related payments in the year. All the above criteria appropriately met.

We reviewed the returns made to HMRC for the recovery of VAT for the first, second and third quarters of the year agreeing the amount claimed to the nominal ledger and the amount recovered to the Council's cash book.

At our final visit we reviewed the outturn for the year against budget.

Conclusions

We are pleased to report that no matters have been identified from this area of our work.

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. Specifically, we:

- Note the Council re-adopted its risk assessment in March following discussion by its Committees; and
- 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 was less than the Council's cash and investments and we recommended the level of cover was raised. We understand the level of cover has been raised and stands now at £850,000; and
- Noted that the play area is subject to safety inspections.

Conclusions and recommendation

The Council is continuing to monitor risks re-adopting its risk register annually in line with the Governance and Accountability Manual (G&AM).

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 that Members continue to receive regular budget reports during the year. We reviewed the year end outturn report. We note the Council set its 2019/20 precept at its meeting on 5th December 2018 after due consideration of spending plans by the Committees. The Council maintains earmarked reserves but considers their use and decided to utilise some reserves during the year to support the purchase of a new van, although earmarked reserves are substantial. General reserves at the 31st March 2019 were £86,624 equating to some 5 months spend based on 2018/19.

Conclusions

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

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 on a sample basis covering the year to October 2018 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.

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 our interim visit.

We note the Council has agreed to obtain 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.

Conclusions

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

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

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

Asset Registers

The Accounts and Audit Regulations 1996 (as amended periodically) require that all Councils establish and maintain inventories/asset registers of buildings, land, plant and equipment, etc. owned by them.

We have reviewed the asset register held by the Clerk and agreed it to the AGAR. We note that assets acquired are recorded at cost and assets disposed of are removed as required by the Regulations.

Conclusions

No issues have arisen 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. We have agreed the balances in the Councils bank and building society account to the year end accounts and AGAR confirming interest was brought to account. We note the Council has reviewed its investment strategy and determined to invest money in the CCLA.

The Council has no loans repayable to a third party.

Conclusions

No issues arise currently in this review area.

Statement of Accounts / AGAR

We have reviewed the year end accounts and we have agreed the amounts in the AGAR to the supporting records, specifically verifying the accuracy of detail contained within Section 2 of the AGAR with no issues arising.

Conclusions

No issues arise in this area and, based on the work undertaken during our two visits to the Council for the financial year, we have signed off the Internal Audit Report in the AGAR assigning positive assurances in each relevant area.