

Chalfont St Giles Parish Council

Internal Audit Report 2019-20: Final up-date

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For and on behalf of 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 2019-20 financial year, during our initial visit to the Council, which took place on 10th October 2019 and our final review. Due to the impact of the Covid-19 pandemic, we have undertaken our final review for the year remotely: we wish to thank the Clerk for assisting the process, providing all necessary additional (to that examined at our interim visit) documentation in electronic format to facilitate completion of our review for the year. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

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 Accounts/AGAR. Our programme of cover has been designed to provide 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 ten internal control objectives.

Overall Conclusion

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

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

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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 accounting software.

The Council's accounts comprise six cash books, the main Cash book (One) records transactions on the Current Account and Reserve Account one. Further cash books record transactions on the second reserve account, the building society account, the deposit at Hampshire Trust Bank and petty cash. There is also a separate cash book for processing and recording payroll transactions.

To meet our audit objectives, we have:

- Agreed the opening Rialtas system trial balance for 2019-20 with the prior year closing trial balance confirming information had correctly been carried forward;
- Reviewed the report of the External Auditor for 2018/19 for any issues requiring follow up;
- Checked that a full and effective cost centre and nominal account code structure remained operational;
- Discussed with the Clerk the arrangements for ensuring the system is backed up regularly to ensure the security of data;
- Run a data check on the system to ensure the Trial Balance agrees and that it is reconciled to the nominal ledger, to ensure the overall system is in balance, (this was done at the interim and final review stage);
- Examined and verified three month's transactions on the Council's main Cash Book (One) to the NatWest Current account and Reserve Account (July and August 2019 and March 2020) by reference to supporting bank statements, including transfers between the accounts;
- Verified the accuracy of the combined Cash Book One bank reconciliations on the current and reserve account for 30th June, 31st July, 31st August and 31st March 2020;
- Agreed the movements on the Payroll Cash Book July and August 2019 and March 2020; and
- Sample checked reconciliations during the year and agreed the year end reconciliations on the other Cash Books recognising the limited movements on those accounts during the year. For the deposits in financial institutions we agreed the balances to the third party statements, we reviewed the balance on petty cash for consistency and reasonableness.

Conclusions

The Council continues to maintain up to date accounts completing regular bank reconciliations. We agreed the year-end balances to the 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:

- Completed our examination the full Council's and standing Committees' minutes for the financial year 2019-20 to identify whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability;
- Noted that the Finance and General Purposes Committee reviewed Standing Orders at their meeting in May 2019 and that the Council continues to consider and up-date its governance policies. Further that the Finance and General Purposes Committee reviewed the Council's financial regulations at their meeting in January 2020 comparing to the NALC model of best practice making local adjustments to reflect the particular circumstances of the Chalfont St Giles; and
- Confirmed the prior year accounts (2018/19) were advertised correctly, this is a new requirement for internal audit this year.

Conclusion

We are pleased to report that no matters have been identified from this area of our work requiring formal comment or recommendation. 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; 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.

At our interim visit we tested a sample of 20 payments processed during the financial year to 31st August 2019 for compliance with the above criteria. Our test sample included all those payments individually in excess of £1,000, plus every 15th other payment as recorded in the Rialtas cashbooks and totalled £50,320 equating to 75% of the value of non-pay related payments in the year to that date. We also reviewed the quotes obtained by the Council for the purchase of the all-terrain vehicle.

At our final visit we selected a random sample of payments covering the period September to March 2020. Our sample comprised 15 payments, including 18 invoices, and totalled £31,926.

At our interim visit we confirmed the amount of VAT outstanding to be recovered at the end of the financial year 2018/19 was paid by HMRC in April and we reviewed the first quarterly return for 2019/20 made to HMRC for the recovery of VAT agreeing the amount claimed to the nominal ledger and the amount recovered to the Council's cash book. At our final visit we agreed the second, third and fourth quarter's VAT reclaims to the underlying records and confirmed the final claim was included in year-end debtors.

We reviewed year end expenditure comparing to budget and to trends in prior years.

Conclusion

We are pleased to report that no matters have been identified from this area of our work. Payments are supported by appropriate documentation.

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:

- Obtained copy of the risk register discussed at Finance and General Purposes Committee in March 2020. (The minutes are not on website yet due to the Covid-19 lock down). The risk register covers the actual risk, the impact, likelihood, controls etc. It covers financial risks and operating risks;
- Reviewed the Council's current insurance policy provided by Axa which runs to 31st May 2020 noting it provides cover for; employer's liability of £10m, public liability £10m and fidelity guarantee £0.8m; and
- Discussed arrangements for carrying out safety inspections of play areas noting they are done weekly by the Groundsman and annually Wickstead Leisure carry out a review.

Conclusion

The Council is continuing to monitor risks. There are no matters arising from this area of our work requiring formal comment or recommendation.

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, details of accounts for payment and bank reconciliations. We have examined the year-end Rialtas budget report detail with no significant or unexplained / unanticipated variances warranting further enquiry of or action by officers.

We note the Council goes through a formal process of setting future year's budgets and precepts with each Committee first considering their budget, followed by review by the Finance and General Purposes Committee with Full Council then agreeing the budget.

We note that reserves were reviewed by the Finance and General Purposes Committee during the year, linked to the consideration of the investment strategy. At the year-end total balances were £745,768, including earmarked reserves of £661,114 and general reserves of £84,654. General reserves represent some four months spending which is within the normal range recommended by CIPFA.

Conclusions

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

Review of Income

The Council receives income from the precept and smaller amounts from grants, donations, devolved services, rents and burial fees. As part of our audit work we have:

- Agreed the amount received for the precept for 2019/20 to the precept demand and Parish Council documentation;
- Agreed the amount received in the year for the rent of the telephone mast to documentation confirming the reason for the increase on the previous year;
- Agreed the income for devolved services to the contract with Buckinghamshire County Council;

- Reviewed at our interim visit the burial register confirming certificates of cremation or burial were held, that fees were banked and we sample checked the fees to the scale of charges. We note the Open Spaces and Amenities Committee considered burial fees at their meeting on 17th July 2019;
- Agreed the remittance of £19,500 from Chiltern DC for the footpath grant, (received 25/11/19) to the remittance advice;
- Reviewed year end debtors; and
- As previously reported, we have agreed three months of receipts from the bank statements to Cash Book One.

Conclusions

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

Petty Cash Account

We are required to confirm in the Internal Audit Report in the AGAR that the Council is correctly operating its petty cash account.

We examined all transactions as recorded for the year to 31st August 2019 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.

Conclusion

We are pleased to record that no issues arise in this area requiring 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 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 in July 2019, as a sample month, by reference to copies of pay slips and we checked the contract of employment for the new Groundsman. We have also, for July 2019, verified the appropriate calculation of tax and NI contributions for each of the staff employed. Finally, we confirmed at our interim visit that payments were being made to HMRC and the Pension Providers and the amounts paid agreed to supporting payroll records.

At our final visit we completed our month on month trend analysis for pay and related costs for the year to confirm there were no significant monthly variances.

Conclusions

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

Fixed Asset Register / Inventory

The 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. We are pleased to note the adoption of a formal Investment Policy also noting that the Council continues to consider alternative "investment" options.

We have agreed the investments in deposits to the statements from third party financial institutions.

The Council has no loans repayable to a third party.

Conclusions

No issues arise in this review area.

Statement of Accounts and AGAR

The Rialtas 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.