

Chalfont St Giles Parish Council

Internal Audit Report 2019-20: Interim

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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 during our interim visit for the 2019-20 financial year which took place on 10th October 2019, together with the preparatory work done off site. It will be up-dated following our final visit in the summer of 2020.

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/Annual Governance and Accountability Return (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 to date the Council continues to maintain clear records well supported by suitable documentation.

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 five 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 and petty cash. There is also a separate cash book for processing and recording payroll transactions.

At this interim visit we:

- Agreed the opening Rialtas system trial balance for 2019-20 with the prior year closing trial balance confirming information had correctly been carried forward;
- Checked that a full and effective cost centre and nominal account code structure remains operational;
- Discussed with the Clerk the arrangements for ensuring the system is backed up regularly to ensure the security of data;
- Ran 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;
- Examined and verified two month's transactions on the Council's main Cash Book (One) to the NatWest Current account (July and August 2019) 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 and 31st August;
- Agreed the movements on the Payroll Cash Book July and August 2019; and
- Agreed the latest reconciliations on the other Cash Books recognising the limited movements on those accounts during the year.

Conclusions

The Council continues to maintain up to date accounts completing regular bank reconciliations. We will undertake further testing at the year-end agreeing the information 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 commenced 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. We note that Finance and General Purposes Committee reviewed Standing Orders at their meeting in May and that the Council continues to consider and up-date its governance policies.

Conclusion

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

We have tested a sample of 20 payments processed during the financial year to 31st August 2019 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 cashbooks and totals £50,320 equating to 75% of the value of non-pay related payments in the year to date. We have also reviewed the quotes obtained by the Council for the purchase of the all-terrain vehicle.

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.

Conclusion

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

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:

- 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. We will extend our work reviewing the Council's risk assessment at our final visit.

Review of Income

The Council receives income from the precept and smaller amounts from grants, donations, devolved services, rents and burial fees. At our interim visit we have:

- Agreed the amount received for the first instalment of 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 the burial register confirming certificates of cremation or burial are held, that fees are banked and 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; and
- As previously reported, we have agreed two months of receipts from the bank statements to Cash Book One.

Conclusions

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

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 have 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.

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 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 payments were being made to HMRC and the Pension Providers and the amounts paid agreed to supporting payroll records.

Conclusions

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