

Chalfont St Giles Parish Council

Internal Audit Report 2020-21: 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 Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the interim review for the 2020-21 financial year, which took place on 3rd December 2020 together with our preparatory work. Due to the impact of the Covid-19 pandemic the interim review has been undertaken remotely this year. We wish to thank the Clerk for providing all the requested documents in electronic format to facilitate the completion of our work. This Report will be updated following our final visit/review which will be arranged to follow closure of the year's Accounts.

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 eleven 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 uses the RBS Rialtas accounting software to record financial transactions.

The Council's accounts comprise six cash books, the main Cash book (One) records transactions on the Natwest Current and Reserve Accounts. Further cash books record transactions on the second Natwest reserve account, the Buckinghamshire Building Society account and the Hampshire Trust Bank deposit. There are also separate cash books for processing and recording payroll transactions and petty cash.

At this interim visit we:

- Agreed the opening Rialtas system trial balance for 2020-21 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 within Rialtas;
- 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 as recorded in the Council's main Cash Book (One) by reference to the NatWest bank account statements (September and October 2020), including transfers between the accounts;
- Verified the accuracy of the combined Cash Book One bank reconciliations on the current and reserve account for 31st August, 30th September and 31st October 2020, confirming there were no longstanding cheques or other adjustments on the reconciliations;
- Agreed the movements on the Payroll Cash Book in September and October to the bank and to the detailed payroll records; and
- Agreed the latest reconciliations on the other Cash Books recognising the limited movements on those accounts during the year. For the Buckinghamshire Building Society, the statement was dated 31st March 2020. For the second Natwest reserve account a statement was available dated 30th September 2020 and for the Bond with the Hampshire Trust the current Bond Letter was provided.

Conclusions

The Council continues to maintain up to date accounts completing regular bank reconciliations. We note the reconciliations are subject to review by a Member. 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 2020-21 as posted on the Council website 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 Financial Regulations and Standing Orders were reviewed and re-approved at the Council meeting in March and in doing so consideration was given to best practice guidance from NALC.

We confirmed the Council advertised the audit of its 2019/20 accounts in the summer of 2020 by publishing the notice of public rights.

Conclusion

We are pleased to report that no matters have been identified from this area of our work to date. We will complete our review of minutes at our final visit/review.

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 16 payments processed during the financial year to 31st October 2020 for compliance with the above criteria. Our test sample includes all those payments individually in excess of £1,500, plus every 20th other payment as recorded in the Rialtas cashbooks and totalled £34,067 equating to 59% of the value of non-pay related payments in the year to date.

We confirmed the amount of VAT outstanding to be recovered by the Council at the end of the financial year 2019/20 was paid by HMRC in May 2020. We reviewed the first quarterly return

for 2020/21 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.

We noted one purchase made through the Clerk's expenses, relating to outdoor bench seating, which had not been included in the reclaim of VAT. The Clerk is to claim the VAT back.

Conclusion

All payments were supported by invoices. No matters have been identified from our work to date requiring recommendations. We will review payments in the second half of the year at our final visit and extend our testing appropriately.

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 2021 noting it provides cover for;
 - Property/buildings insurance
 - Business interruption insurance loss of revenue £10,000
 - Employer's liability £10m
 - Public liability £10m
 - Hirer's indemnity £5m and
 - Fidelity guarantee £850,000.
- Discussed arrangements for carrying out safety inspections of play areas to ensure arrangements have continued after the lockdown 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 overall annual 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 2020/21 precept as recorded in the Rialtas Cash Book One to the amount set and approved in the Council minutes;
- Tested the receipt of two grants to the supporting remittance advices;
- Tested the receipt of income for the installation of lighting to the invoice raised;
- Reviewed the budget report to identify income variances. We understand the Council has yet to receive income from the telephone mast which was due last May and understand the Clerk is chasing the matter;
- Reviewed the burial register confirming for two of six interments completed this year to date that certificates of cremation or burial were held. For the two burials we then agreed the fees charged to the scale of charges confirming the income was recorded in Rialtas; 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. At our final review we will complete our year on year comparison of income and undertake further testing as necessary.

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.

The Clerk has confirmed no petty cash transactions have occurred in the financial year to date and we note there are no transactions recorded in Rialtas cash book five which records petty cash.

Conclusion

We will confirm at the final review if there have been any subsequent transactions.

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 specifically the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme and NEST pension scheme.

Preparation of the payroll continues to be outsourced to Buckinghamshire Council who took over the contract from Aylesbury Vale District Council following local government reorganisation. The Unitary Council pay the salaries and provide payroll reports with the Parish Council paying HMRC and the pension providers. We reviewed payroll transactions in August 2020 as a sample, specifically we:

- Obtained details of the approved pay points for the staff and confirmed the gross pay per the August payslips to the Council approval and the national scales;
- Re-performed the calculation of tax, national insurance and pension calculations per the August payslips also confirming the correct employer's contribution was made for the Buckinghamshire Pension scheme;
- Agreed the costs detailed in the summary payroll report from payslips and to the amounts recorded in Rialtas cash book four; and
- Commenced a monthly trend analysis of payroll costs to identify any material anomalies.

Conclusions

We are pleased to record that no issues arise in this area. We will complete our trend analysis at our final visit/review.