

Chalfont St Giles Parish Council

Internal Audit Report 2020-21: Final

Chris Hackett

Consultant Auditor

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 two reviews for the 2020-21 financial year, which took place on 3rd December 2020 and 27th May 2021 together with our preparatory work. It consolidates the matters reported from our interim review. Due to the impact of the Covid-19 pandemic both reviews have been undertaken remotely. We wish to thank the Clerk for providing all the requested documents in electronic format to facilitate the completion of our work.

Internal Audit Approach

In completing our reviews 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 the Council continues to maintain clear records well supported by suitable documentation. We have duly signed off the Internal Audit Section of the AGAR assigning positive assurance.

We request that this report is presented to Members.

This report has been prepared for the sole use of Chalfont St Giles Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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.

As part of our audit this year we have:

- Agreed the opening Rialtas system trial balance for 2020-21 with the prior year closing trial balance confirming information had correctly been carried forward;
- Confirmed the external auditor raised no issues on the 2019/20 accounts requiring our follow up;
- 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 IT system is backed up regularly to ensure the security of data;
- Ran a data check on the Rialtas system at each of our reviews to ensure the Trial Balance agreed and that it was reconciled to the nominal ledger, to ensure the overall system was in balance;
- Examined and verified three 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 and March 2021), 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 and 28th February and 31st March 2021 confirming there were no longstanding cheques or other adjustments on the reconciliations;
- Agreed the movements on the Payroll Cash Book in September and October 2020 to the bank and to the detailed payroll records. We further tested the movements in March on the cash book to the Bank; and
- Sample tested in year reconciliations on the other Cash Books recognising the limited movements on these accounts during the year. We further agreed the reconciliation on these accounts as set out in the bank statements to the Rialtas system at 31st March 2021 agreeing the balances to statements from the Buckinghamshire Building Society, Hampshire Trust Bank and Natwest bank.

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 have agreed the bank 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 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 2020 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 requiring formal comment or recommendation. We take this opportunity to remind Members it is good practice to review Standing Orders and Financial Regulations annually, although acknowledge the practical difficulties created by the lockdown arising from the Covid-19 pandemic.

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 discussed with the Clerk the controls over the approval and processing of payments, noting this was done electronically this year due to the difficulties meeting face to face.

We have tested a sample of 29 payments processed during the financial year to 31st March 2021 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 £57,846 equating to 55% of the value of non-pay related payments in the year to date. Invoices or suitable documentation, for example minutes supporting grant payments, was provided.

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 quarterly VAT returns for 2020/21 made to HMRC agreeing the amount re-claimed to the receipts in the cash book or to year end debtors in the case of quarter four.

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 suitable documentation. No matters have been identified from our work requiring recommendations.

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 that the Council reviewed its risk register in March 2021. We obtained the risk assessment confirming the document described individual risks, assessed them and identified related controls or mitigations. The risk assessment includes a detailed analysis of financial risks;
- Reviewed the Council's 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
 - Fidelity guarantee £850,000; and
- Discussed arrangements for carrying out safety inspections of play areas to ensure arrangements continued during the lockdown. We note they are done weekly by the Groundsman and that annually Wickstead Leisure carry out a review.

Conclusion

The Council has arrangement for assessing and monitoring its risks.

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, that Members receive regular reports identifying the budget position throughout the year and that the Council monitors its level of reserves.

We are pleased to note that Members continue to receive regular budget reports, details of accounts for payment and bank reconciliations during the year.

We have examined the 31st March 2021 year-end Rialtas budget report and summary AGAR accounts confirming the reasons for significant variances.

We note the Council goes through a formal process of setting future year's budgets and precepts. Following detailed consideration by Committees of their budgets full Council approved the 2021/22 budget and precept at their meeting in January 2021.

We note that Members keep the Council's reserves under review. At the year-end 31 March 2021 the Council's total reserves were £794,739, including a general reserve of £85,026 and earmarked reserves of £709,713. Spending in 2020/21, as reported in the AGAR, was £210,500, or some £17,542 a month. The general balance therefore was some 5 months spending which is within the normal range recommended by CIPFA of 3 to 8 months.

Conclusion

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 review this year 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. We further agreed the Council's 2020/21 precept to the list of parish council precept demands for the year published independently by the Government;
- 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;

- Reviewed the burial register confirming for two interments completed this year 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 three months of receipts from the bank statements to Cash Book One.

Conclusion

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.

The Council has maintained during the year a separate cash book for recording petty cash transactions. We note during the year there have been very few such transactions with the petty cash account only being utilised in December 2020 when payments totalling £190 were incurred. We sample tested one of the December payments at random, selecting the payment to Wickes for £44.39, the Clerk provided the supporting voucher.

Conclusion

There are no matters arising from this area of our review.

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 is outsourced to Buckinghamshire Council. 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

- Completed a monthly trend analysis of payroll costs to confirm there were no material anomalies in such costs during the year.

Conclusion

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. The Regulations require additions to be at cost net of VAT. We noted one addition in 2020/21, in respect of a footbridge which was given to the Council, was incorrectly added to the Asset Register at the insured value of £8,000 rather than a nominal £1. We have, consequently agreed a small change to the amount recorded in the AGAR at Section 2, Box 9.

Conclusion

We agreed an adjustment to change the value of the footbridge from £8,000 to £1.

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 subject to ensuring the security of funds. We note the Council has adopted a formal Investment Policy.

We have agreed the investments in deposits to the statements from third party financial institutions as referred to earlier in this report. We further tested the receipt of interest income from the third party statements to the amounts in Rialtas.

The Council has no loans repayable to a third party.

Conclusion

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.

Conclusion

No additional issues arise in this review area. We have duly signed off the Internal Audit Certificate in the year's AGAR providing a copy for the Clerk's necessary further action. We also take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.