
Chalfont St Peter Parish Council

Internal Audit Report 2017-18 (Interim)

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Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Return.

This report sets out the work undertaken during our interim visit to the Council for 2017-18, which took place on 1st November 2017.

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 misrecording or misrepresentation in the year-end Statement of Accounts/Annual Return. 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 Annual Return, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We are pleased to conclude that, in the areas examined to date, the Council continues to operate effective control systems that help ensure that transactions are free from material misstatement and are reported accurately in the Annual Return and detailed Statement of Accounts for the financial year. We are pleased to record that no issues have been identified warranting formal comment or recommendation in the areas examined to date, also noting the action taken to address prior year issues.

We also wish to thank the Finance Officer for the clear manner in which the records are maintained and presented for our examination.

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. We have:

- Agreed the opening Omega trial balance for 2017-18 with the 2016-17 closing trial balance and certified Annual Return detail;
- Checked that a full and effective cost centre and nominal account code structure remains in place;
- Examined and verified three months' account transactions on the NatWest Current account (April, June and September 2017) by reference to supporting bank statements;
- Examined similarly transactions on all other accounts to 30th September 2017 by reference to appropriate supporting documentation;
- Verified the accuracy of bank reconciliations as at the 30th April, June and September 2017 on all accounts; and
- Reviewed the controls in place over the preparation and certification of journal postings to the accounting software.

Conclusions

We are pleased to record that no issues have been identified in this area to date this year: we shall undertake further work at our final visit, also ensuring the accurate disclosure of the combined year-end cash and bank balances in the year's Annual Return.

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 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 Council's and standing Committees' minutes for the financial year to date to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability. We shall continue to monitor the position in this respect and the potential financial implications for the Council at future visits.

We note that the Council approved revised Financial Regulations at its Full Council meeting in September 2016, with a further review in the current financial year with no changes deemed necessary. Similarly, we note that Standing Orders have also been revised to reflect the changed limit for formal tender action, which is now set at £25,000 following the changes

in EU legislation and the Public Contracts Regulations, the latest version being adopted in the current financial year.

Conclusions

We are pleased to report that no significant issues have been identified in this area to date: we will continue to monitor the Council's approach to governance at future visits reporting our conclusions accordingly.

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 have commenced testing in this area selecting a total sample of 28 individual payments to be paid in the year to October 2017: our test sample includes all those payments individually in excess of £1,500, plus every 15th other payment recorded in the monthly cashbooks and totals £72,500 equating to 59% of the value of non-pay related payments in the year to that date with all the above criteria appropriately met.

We have also reviewed the content of the first quarter's VAT reclaim prepared, submitted to and repaid by HMRC agreeing detail to the supporting Omega control account record.

Conclusions

We are pleased to report that no significant matters have been identified in this area to date: we shall extend our test sample of payments to cover the remainder of the financial year at our final visit, also examining the remaining three quarterly VAT reclaims ensuring that they accurately reflect the detail in the financial ledgers.

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.

This interim visit was undertaken in advance of any formal conclusions being reached on the 2018-19 budgetary and precept requirements of the Council: consequently, we shall revisit the area at our final visit.

We are however pleased to note that members continue to receive regular budget reports and have examined the latest available budget performance report (as at 30th September 2017) with no significant or unexplained / unanticipated variances warranting further enquiry of or action by officers.

Conclusions

We are pleased to record that no issues arise in this area currently, as indicated above, we shall undertake further work in this area at our final visit, not only ensuring the satisfactory completion of the budget and precept assessments for 2018-19, but also reviewing the current year-end budget outturn and ensuring the appropriateness of year-end balances to finance the Council's ongoing revenue spending requirements and any future development aspirations.

Review of Income

The Council receives income from a variety of sources annually in addition to the precept. At this interim visit, we have examined the procedures relating to the recording of burials and recovery of appropriate fees checking detail of the year's interments between April and July 2017 and ensuring that, for each of these, appropriate undertaker's applications were held, duly supported by either a cremation or burial certificate and that the appropriate fees had been charged and recovered.

We have also examined the detailed nominal income transaction reports ensuring that, as far as we are able to ascertain, no significant miscodings have occurred and that all income due to the Council has been recovered appropriately.

Conclusions

We are pleased to record that no issues arise in this area currently: we shall undertake further work at our final visit examining the nominal ledgers and updating our year-on-year analysis of income across the various nominal account codes.

Petty Cash Account

The Council operates a petty cash account on an imprest basis with a float of £150: payment detail is recorded initially in a manuscript account book and then transferred into a separate cashbook in the accounting software.

We have examined a sample of transactions including those from June to August 2017 ensuring that each payment 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 this visit with no issues identified.

Conclusions

No issues arise in this area warranting 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 HMRC legislation relating to the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government or NEST pension schemes, the former being most recently further 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 (AVDC).

We have checked detail of the gross pay applicable in October 2017 by reference to copies of pay slips provided by AVDC and the clerk's schedule of Council approved staff salaries for the financial year. We have also, by reference to relevant HMRC PAYE and NI tables, verified the appropriate deduction of tax and NI contributions from each employee, also verifying that the appropriate percentage pension contributions have been applied for each member of staff contributing to the pension fund or NEST pension scheme.

We note that the payroll service provider also pays staff directly, reclaiming the cost of payments made monthly from the Council, whilst the Council makes payments to HMRC and the Pension Fund itself each month based on the detail provided by AVDC.

Conclusions

We are pleased to again report that no issues have been identified in this area this year warranting formal comment or recommendation.

Investments and Loans

The Council holds significant funds in a variety of short term "investment / deposit accounts": detail of transactions on these have been examined as indicated earlier in this report by reference to transaction notes and the Building Society passbook.

The Council also has one outstanding loan with PWLB, principal and interest being repaid at half-yearly intervals in May and November annually. We have verified detail of the first repayment for 2017-18 to the PWLB demand notice as part of our expenditure testing, as referenced above in this report.

Conclusions

No issues arise in this review area warranting formal comment or recommendation at this stage: we shall undertake further work in this area at our final visit ensuring the accurate disclosure of the residual loan liability at the financial year-end in the Annual Return.