



Chalfont St Peter Parish Council

Internal Audit Report 2019-20 (Interim)

Chris Hackett

Consultant Auditor

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 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 first visit to the Council for 2019-20, which took place on 9th October 2019 together with the preparatory work completed off site. It will be up-dated following our final visit in the summer to check the year end 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 miss-recording or misrepresentation in the year-end Statement of Accounts/Annual Return. 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 Annual Return, which requires independent assurance over ten internal control objectives.

Overall Conclusion

We are pleased to conclude that, based on the areas examined to date, the Council continues to operate effective control systems that help ensure that transactions are free from material misstatement and will be 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.

We wish to thank the Officers for the clear manner in which the records are maintained and presented for our examination and request this report is presented to Members.

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 Council uses the Rialtas accounting package to record its accounting transactions, maintaining three cash books. At our first visit we:

- Agreed the opening Rialtas trial balance for 2019-20 with the 2018-19 closing trial balance to confirm records had been correctly brought forward;
- Checked that a full and effective cost centre and nominal account code structure remains in place;
- Confirmed, based on the Rialtas Ledger back-up provided to us for our visit, that the Ledger is in balance by running a data check;
- Examined and verified one sample month's cash book account transactions on the main NatWest Current account (August 2019) by reference to supporting bank statements;
- Verified the accuracy of the combined bank reconciliation covering the Natwest Cash Book, HSBC Community Account Cash book and Petty Cash account Cash Book as at the 31st July and 31st August 2019 noting there were no issues arising in relation to out of date cheques or other anomalies;
- Confirmed the transfer of the HSBC Bond to the HSBC Community Account; and
- Discussed with officers the arrangements for backing up the Ledger which we understand is done regularly to the Cloud with the Rialtas Ledger also copied to a memory stick and stored in a fire proof safe.

Conclusion

We are pleased to record that no issues have been identified in this area from our work to date. We will undertake further testing at our final visit to confirm the accurate disclosure of the combined year-end cash and bank balances in the 2019/20 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 posted on the website 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 have discussed with the Clerk the current position regarding the litigation over the development of a former school site and the how the Council is managing the financial impact.

We note the Finance Committee reviewed the Financial Regulations in July and that they were subsequently approved by Full Council at their meeting on 25th July 2019.

Conclusion

No issues have been identified from our work to date. We will extend our review of minutes to the end of the financial year at our final visit.

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. We have:

- Noted that the Finance Committee reviewed the Financial Risk Assessment and that this was approved by Full Council at the meeting on 25th July 2019, we understand the other committees are completing their risk assessments;
- Examined the Council's current insurance policy with Zurich, to ensure that appropriate cover is in place, noting that Employer's and Public Liability cover stand at £10 million and £15million respectively, together with Hirer's Liability at £2 million and Fidelity Guarantee cover at £500,000; and
- We note that ROSPA undertake an annual inspection of Council play areas and that this is supplemented by weekly checks by officers.

Conclusion

No matters arise in this area from our work to date requiring formal recommendations. We note that following receipt of the precept instalments the Council's total cash holding will exceed £500,000 being the level of insurance cover. Members may wish to review the level of cover.

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 tested a total sample of 16 payments supported by 24 invoices paid in the year to 31st August 2019: our sample includes all those payments individually in excess of £2,000, plus every 20th other payment recorded in the monthly cashbooks and totals £159,634 equating to 82% of the value of non-pay related payments in the year to date.

We note one large payment for litigation costs was supported by emails and court transcripts. We understand the Courts do not provide invoices. We understand that paperwork will be issued at the end of the process to support the recovery of VAT.

We have reviewed the first quarterly VAT reclaims for the year agreeing amounts to the nominal ledger and agreeing receipt of the reclaim to the cash book.

Conclusions

No significant matters have been identified in this area from our work to date. At our final visit we will review outturn expenditure against budget investigating any unusual items.

Review of Income

The Council receives income from a variety of sources annually in addition to the precept. At the interim visit, we:

- Examined the procedures relating to the recording of burials and recovery of appropriate fees. We sample checked details of the interments this year between April and August 2019. We tested to ensure correct entries had been made in the Burial Register and that these were supported by appropriate documentation including either a cremation or burial certificate and that the appropriate fees had been charged and recovered.
- Reviewed procedures for the collection of allotment rents. Income is being collected currently for the year. We inspected the control records and agreed income received to date to receipts;
- Sample checked other income such as the income from Buckinghamshire County Council for devolved services and the rent from Chalfont St Giles Parish Council;
- Agreed the first instalment of the 2019/20 precept as recorded in the Cash Book in April 2019 to the amount approved in the minutes; and
- Tested, as previously noted, a month's income in the main Natwest Cash Book to the bank statements.

Conclusions

We are pleased to record that no issues arise in this area from our work to date. At our final visit we will up-date our year on year analytical review of income querying any unusual items.

Petty Cash Account

The Council operates a petty cash account on an imprest basis with a float of £150; payment detail is recorded in a separate cashbook in the accounting software. Individual petty cash payments are recorded on a slip which is signed and then authorised by a second person. The slips are supported by either till receipts or invoices. Members approve the petty cash reimbursements and initial a summary of the petty cash payments.

We have examined the payments made in August 2019, as a sample month, to the supporting vouchers. We agreed the physical cash held on the day of our visit, 9th October 2019, to the supporting records.

Conclusion

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).

To meet our objectives, we have:

- Agreed the salary payment for one officer, as a sample, to the HR Committee reports and minutes;
- Checked the calculation of tax and national insurance for all staff as recorded on the July payslips as a sample month; and
- Agreed the amounts paid in out in July 2019 as a sample month to detailed records in respect of; Aylesbury Vale DC to cover net pay (The District Council then pays the employees), the amounts paid to the HMRC, to Buckinghamshire County Council (Pension Administrator) and the amount paid out for NEST Pensions.

Conclusions

No issues have been identified in this area of our work. The Council has arrangements for maintaining its payroll.

Investments and Loans

The Council holds funds with the Buckinghamshire Building Society. As statements are provided annually, we will agree the balance at the year-end 31st March 2020 during our final visit.

The Council has one outstanding loan with PWLB, principal and interest being repaid at half-yearly intervals in May and November annually. We verified detail of the first repayment in 2019-20 to the PWLB demand notice as part of our expenditure testing, as referenced above in this Report. We will agree the year-end balance in the Annual Return to the information provided by the Government's Debt Management Office which lists the balance of loans to parish councils.

Conclusions

No issues arise in this area of our review to date warranting formal comment.