



Chalfont St Peter Parish Council

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

This report sets out the work undertaken during our interim review of the Council for 2020-21, which took place on 3rd November 2020 together with the preparatory work. Due to the Covid-19 pandemic the work was undertaken remotely and we wish to thank the Clerk and Administration Assistant for providing all the records in electronic format to facilitate completion of our work. This report will be up-dated following our final review 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/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 over eleven 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 AGAR and detailed Statement of Accounts for the financial year. .

We 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, one for the current account at Natwest and a further cash book for the HSBC community account. There is also a separate cash book for recording petty cash. At this stage of our review we:

- Agreed the opening Rialtas trial balance for 2020-21 with the 2019-20 closing trial balance to confirm records had been correctly brought forward;
- Reviewed the External Auditor's report on 2019/20;
- 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 (September 2020) by reference to supporting bank statements agreeing also the reconciliations completed at 31st August and 30th September 2020;
- Similarly agreed the cash book transactions in September 2020 for the HSBC community account to the statements and agreed the reconciliation at 31st August and 30th September 2020;
- Confirmed arrangements for Member oversight of the bank reconciliations; and
- Discussed with officers the arrangements for backing up the Ledger which we understand is done regularly to the hard drive and 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. The accounts are being maintained in balance and there are no material longstanding cheques in the reconciliation.

We will undertake further testing at our final review to confirm the accurate disclosure of the combined year-end cash and bank balances in the 2020/21 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 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 commended our examination of 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 previous litigation over the development of a former school site.

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.

We are required to confirm the audit of the prior year's accounts (in this case 2019/20) was advertised. Advertising is done after our 2019/20 internal audit work is completed. At this review we confirmed the notice of public rights was placed on the Council website, although the timing was slightly premature as the period for public inspection of the accounts preceded the Council's approval of the accounts. The Council will need to note this in the 2020/21 AGAR.

Conclusion

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

The National Association of Local Councils (NALC) are planning to issue up-dated model financial regulations, although publication we understand has been delayed due to the Covid situation. We take this opportunity to draw the Council's attention to the impending model guidance.

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 discussed controls over the authorising of payments with the officers. To gain assurance in this area we substantively tested a sample of 16 payments supported by 18 invoices paid in the year to 30th September 2020 selected from the main cash book. Our sample included all payments individually in excess of £2,000, plus every 20th other payment recorded to ensure items were selected randomly but included material items. Our sample totalled £79,128 equating to 65% 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. 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 obtained the credit card statement for August 2020 as a sample and tested the payments to invoices.

We confirmed that VAT due for recovery at 31st March 2020 has been reclaimed from HMRC. We further reviewed the first quarterly VAT reclaim for the year agreeing amounts to the nominal ledger and agreeing receipt of the reclaim to the cash book.

Conclusions

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

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:

- Examined the Council's current insurance policy with Zurich which runs to 31st May 2020 noting that cover includes:
 - Buildings and equipment
 - Public liability £15m
 - Hirer's liability £2m
 - Employer's liability £10m
 - Fidelity insurance £500k; 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 take this opportunity will remind the Council of the need to review the risk assessment annually. The risk register was last reviewed in March 2020.

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 the Council receives regular reports identifying the budget position throughout the year and monitors its levels of reserves.

Conclusion

At this stage we have confirmed that budget variance information is provided to Members. We will review budget setting and reserve levels at the final stage of the audit.

Review of Income

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

- Reviewed the latest budget information in Rialtas enquiring of changes in relation to income compared to prior years, for example noting the change in income relating to devolved services;
- Noted the Council received a neighbourhood planning grant £10,000 and agreed the amount received to the remittance advice from Groundwork UK;
- Examined the procedures relating to the recording of burials and recovery of appropriate fees. We sample checked details of five interments, testing 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 recorded in the accounts;
- Agreed the first and second instalments of the 2020/21 precept as recorded in the Cash Book in April and September 2020 to the amount approved in the minutes; and
- As previously noted, tested a month's income in the main Natwest Cash Book to the bank statements and confirmed recovery of VAT.

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 July and August 2020, as a sample, to the detail confirming they were supported by invoices or till receipts and that petty cash slips were signed by a second officer. We confirmed that reconciliations of the cash were performed, although as our review was completed remotely did not physically verify the cash held.

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 NEST pension scheme. Preparation of the payroll continues to be outsourced and is done by Buckinghamshire Council.

To meet our objectives, we have:

- Checked the calculation of tax, national insurance and pension payments for all staff as recorded on the August payslips as a sample month;
- Agreed the payroll costs from the August payslip report to the payroll summary report as a sample then agreed the summary report to the amounts recorded as paid in the Rialtas cash book; and
- Commenced our monthly trend analysis of payroll costs to identify any material anomalies.

Conclusions

No issues have been identified in this area of our work. The Council has arrangements for maintaining its payroll. We will monitor payroll costs at our final review in the summer.