
Chalfont St Peter Parish Council

Internal Audit Report 2017-18 (Final update)

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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 Governance and Accountability Return (AGAR).

This report sets out the work undertaken during our two visits to the Council for 2017-18, which took place on 1st November 2017 and 1st May 2018.

Internal Audit Approach

In conducting 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 AGAR, which requires independent assurance over ten internal control objectives.

Overall Conclusion

We are pleased to conclude that, in the areas examined this year, 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 way the records are maintained and presented for our examination.

We have duly completed and signed the 'Internal Audit Report' having concluded that, in all significant respects, the control objectives set out in that Report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

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 four months' account transactions on the NatWest Current account (April, June and September 2017, plus March 2018) by reference to supporting bank statements;
- Examined similarly transactions on all other accounts for the full financial year by reference to appropriate supporting documentation;
- Verified the accuracy of bank reconciliations as at the 30th April, June and September 2017, plus 31st March 2018 on all accounts;
- Reviewed the controls in place over the preparation and certification of journal postings to the accounting software; and
- Verified the accurate disclosure of the combined cash and bank accounts in the Annual Return at Section 2.

Conclusions

We are pleased to record that no issues have been identified in this area this year.

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 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 (FRs) 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 (SOs) 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. We note that the Clerk is aware of the recently issued revised NALC model SOs and intends to review and update the Council's extant version in due course: we shall review the outcome of that review at our next visit.

Conclusions

We are pleased to report that no significant issues have been identified in this area: 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 70 individual payments to be paid in the financial year: 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 £217,700 equating to 72% of the value of non-pay related payments in the year with all the above criteria appropriately met.

We have also reviewed the content of the quarterly VAT reclaims prepared, submitted to and repaid by HMRC agreeing detail to the supporting Omega control account record, also verifying the accurate disclosure of the year-end VAT debtor in the detailed Accounts and, consequently in the AGAR detail.

Conclusions

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

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.

We are pleased to note the satisfactory conclusion of the Council's 2018-19 budget and precept deliberations with the latter formally approved at the ~~December~~ ^{November} 2017 full Council meeting at ~~£383,184.28~~ ^{£ 391,185.00}

We are again pleased to note that members continue to receive regular monthly budget reports and have examined the current Omega budget report detail with no significant or unexplained / unanticipated variances warranting further enquiry of or action by officers.

Finally, in this area, we have reviewed the level of retained reserves as at 31st March 2018 noting that total reserves have increased to £318,500 (£246,900 at the prior year-end), including several earmarked funds that have also increased to £156,500 (£148,800 previously). The residual General Fund balance of £162,000 equates to between three and six months' revenue spending at the 2017-18 level and now falls comfortably within the generally recognised CiPFA guideline of between 3 and 6 months' revenue spending.

Conclusions

We are pleased to record that no issues arise in this area this year warranting formal comment or recommendation.

Review of Income

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

At this final update visit, we have examined the records relating to allotment rents and are pleased to note that all fees receivable have been accounted for and banked in a timely manner.

We have, at this final visit, also examined the year-end detailed nominal income transaction reports ensuring that, as far as we can ascertain, no significant miscodings have occurred and all income due to the Council has been recovered appropriately.

We noted last year that allotment key deposit receipts, as recorded in the accounting records, were regarded as income and recommended that, as these deposits are refundable, they should be coded to a separate nominal control account and be regarded as a liability in the year-end Accounts. Members considered this recommendation and determined to not take any further deposits and regard all previously received deposits as income.

Finally, in this area, we have updated our year-on-year analysis of income across the various headings to include detail in the 2017-18 Income and Expenditure Account, with no significant or unexplained / un-anticipated variances identified warranting further enquiry or action by officers.

Conclusions

We are pleased to record that no issues arise in this area this year.

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.

Review of Staff Salaries

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.

Asset Register / Inventory

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note the existence and maintenance of an appropriate register, noting that the clerk had previously produced an updated document with additional space provided to include confirmation of the assets physical continued existence and ownership by the Council, an assessment of the condition of equipment and its likely life expectancy.

We note that the register has been further updated in 2017-18 to include detail of the new acquisitions in the year at purchase cost, net of VAT, with the amended total value of assets appropriately reported in the year's AGAR at Section, 2 Box 9.

Conclusions

We are similarly pleased to report that no issues arise in this area 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 two repayments for 2017-18 to the PWLB demand notice as part of our expenditure testing, as referenced above in this report, also verifying the accurate disclosure of the residual loan liability at the year-end in the Annual Return.

Conclusions

No issues arise in this review area warranting formal comment or recommendation.

Statement of Accounts and AGAR

The Council's generates a Balance Sheet and Income and Expenditure Account directly from the Omega software and, as noted previously, no detailed supporting notes have been prepared.

We have examined the Council's procedures in relation to the identification of year-end debtors and creditors with no issues arising, also verifying the accurate transfer of financial information from the accounting software to the year's AGAR.

Conclusions

No issues arise and consequently, based on the work undertaken during the course of our two visits to the Council for the year, we have duly signed off the Internal Audit Report in the AGAR assigning positive assurances in each relevant area.

