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## **Chalfont St Peter Parish Council**

*Internal Audit Report 2018-19 (Final)*

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*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 two visits to the Council for 2018-19, which took place on 10<sup>th</sup> October 2018 and 1<sup>st</sup> May 2019 together with the preparatory work completed off site.

## **Internal Audit Approach**

In completing 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, based on the areas examined, 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.

We have signed the Internal Audit Report in the Annual Return giving positive assurances in all areas.

We also wish to thank the Finance Officer 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. At our first visit we:

- Agreed the opening Omega trial balance for 2018-19 with the 2017-18 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 two months' cash book account transactions on the NatWest Current account (May and August 2018) by reference to supporting bank statements;
- Examined similarly transactions on all other accounts to 31<sup>st</sup> August 2018 by reference to appropriate supporting documentation;
- Verified the accuracy of bank reconciliations as at the 31<sup>st</sup> May and 31<sup>st</sup> August 2018 on all accounts; and
- Discussed with officers the arrangements for backing up the Ledger which we understand is done monthly to the Cloud.

At our final visit we have:

- Run a data check on the Rialtas Ledger confirming it was in balance, specifically that the trial balance agreed to the nominal ledger;
- Verified the transactions recorded for March 2019 in cash books one and two, the Natwest Current account and HSBC Community Account, to the bank statements, agreeing also the reconciliations at 31<sup>st</sup> March 2019;
- Agreed the balances in the accounts for the Building Society Account and HSBC Bond to bank and building society statements; and
- Confirmed the external auditor has issued their 2017/18 certificate and raised no issues.

### Conclusions

*We are pleased to record that no issues have been identified in this area. We have confirmed the accurate disclosure of the combined year-end cash and bank balances in the 2019/19 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 31<sup>st</sup> March 2019 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 note the Council has been in litigation concerning the development of a former school site challenging the planning application over the level of playing field provision. We note the Judgement is imminent and the Clerk and officers are monitoring the position.

We note the Finance Committee reviewed the Council's Financial Regulations in July 2018 with no changes made. With regard to tendering, the Council's Financial Regulations refer to financial limits which may be up-dated in the future. We note the Government Regulations introduced new tendering thresholds for public sector contracts from 1 January 2018.

### **Conclusions**

*No issues have been identified for 2018/19 requiring formal recommendations. The Council maintains suitable corporate governance arrangements.*

## **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:

- Confirmed that the Council has refreshed its risk assessment which was approved at the Council meeting in October. The risk assessment is completed by Committee and then consolidated for approval; and
- 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.

### **Conclusions**

*No matters arise in this area of our review, the Council continues to monitor its risks.*

## **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 completed testing in this area selecting a total sample of 45 individual payments to be paid in the year to 31<sup>st</sup> March 2019: our sample includes all those payments individually in excess of £2,000, plus every 20<sup>th</sup> other payment recorded in the monthly cashbooks and totals £209,714 equating to 65% of the value of non-pay related payments in the year with all the above criteria appropriately met.

We note one payment for £35,000 has been paid relating to an on-going matter, the funding for which has been agreed. The interim payment of £35,000 has been made in accordance with the Funding Agreement based on an exchange of emails. A hard copy of the email was signed by Members and retained on file. VAT invoices will be issued at the end when the final amounts are known.

We have reviewed the first three quarterly VAT reclaims for the year agreeing amounts to the nominal ledger and agreeing receipt of the reclaims to the cash book. We agreed the balance on the year end VAT control accounts to the year-end accounts.

### ***Conclusions***

***No significant matters have been identified in this area.***

## **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 that Members continue to receive regular in year budget reports and financial information. Specifically, the Finance Committee, which meets bi-monthly, get a budget variance analysis. The Full Council agendas include a balance sheet, bank reconciliation, summary income and expenditure account and a detailed analysis by budget heading.

We have reviewed the year end outturn comparing spend to budget and to the previous year discussing variances with the Clerk.

The Council set its 2019/20 precept at its meeting in November 2018. The budget is built up by reviewing actual and forecast spend by Committee, consideration of reserves and future cash flows.

### **Conclusions**

*The Council continues to control its spend and monitor reserves. We are pleased to record that no issues arise in this area.*

## **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 2018. 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.

During the year we confirmed correct receipt of the year's precept to the Council's cash book which was paid in two instalments in April and September 2018.

At our second visit we reviewed income from devolved services agreeing the amount received to documentation and confirming a new contract had been signed for 2019-20.

### **Conclusions**

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

## **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 a sample of transactions including ensuring that, where applicable, any VAT expended has been identified and coded appropriately for recovery in the accounting software. We also 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 1<sup>st</sup> 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 August 2018 by reference to copies of pay slips provided by AVDC. 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 the payment to HMRC, the net payment and the pension payments to the pension provider from the payroll summary report to the Council's cash book.

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.

We have also reviewed contracts of employment for new staff.

### *Conclusions*

*We are pleased to report that no issues have been identified in this area of our work.*

## 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 it has been up-dated during the year. We have agreed the total on the asset register to the Annual Return 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 funds in an HSBC Deposit Account and with the Buckinghamshire Building Society. As stated previously we have agreed the year end balances in the accounts to statements from the Bank and Building Society. We have confirmed that interest arising on these investments is included in the accounts.

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 two repayments in



2018-19 to the PWLB demand notice as part of our expenditure testing, as referenced above in this report. We have agreed 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 review area warranting formal comment.*

## **Statement of Accounts and Annual Return**

The Council's accounting system generates a Balance Sheet, Income and Expenditure Account and the Annual Return directly from the Rialtas software. We have agreed the figures in the Annual Return to the supporting information and reviewed the allocation of costs to the respective headings checking the allocation of payroll costs and the inclusion of capital spending in the other payments line.

We have examined the Council's procedures in relation to the identification of year-end debtors and creditors with no issues arising.

### ***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 Annual Governance and Accountability Return (the Annual Return) assigning positive assurances in each relevant area.*