



Chalfont St Peter Parish Council

Internal Audit Report 2019-20 (Final up-date)

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 system 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 in relation to the 2019-20 financial year, during our initial visit to the Council, which took place on 9th October 2019 and our final review. Due to the impact of the Covid-19 pandemic, we have undertaken our final review for the year remotely: we wish to thank the Administration Assistant and the Clerk for enabling the process, providing all necessary additional (to that examined at our interim visit) documentation in electronic format to facilitate completion of our review for the year. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

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 ten 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 will be reported accurately in the AGAR 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 and we have duly signed off the Internal Audit Report in the AGAR assigning positive assurance in all areas.

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. In carrying out our review 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 initial visit and final review, that the Ledger is in balance by running a data check;
- Examined and verified two sample month's cash book account transactions on the main NatWest Current account (August 2019 and March 2020) 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 and 31st March 2020 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 the transfer of funds from the Buckinghamshire Building Society Account to the HSBC Community Account; and
- Discussed with officers the arrangements for backing up the Rialtas 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 of our work. We agreed the year end reconciliation to the amount recorded in the 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:

- Examined the Council's and standing Committees' minutes posted on the website at the time of our final review relating to 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 discussed with the Clerk the position regarding the litigation over the development of a former school site and the how the Council is managing the financial impact;
- Noted 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;
- Noted the Council at its meeting in March 2020 approved up-dated standing orders and also agreed the code of conduct;
- Confirmed the External Auditor did not raise any issues on the 2018/19 accounts requiring action by us; and
- Confirmed the prior year (2018/19) audit was advertised to the public, a new requirement for the Internal Auditor to check this year.

Conclusion

No issues have been identified from our work requiring formal comment or recommendation.

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. Further risk assessments were completed by Committees and approved by the Council in January with the Council approving an up-dated overall risk assessment in March 2020. We further note the Council is using LCRS software to prepare its risk assessment which covers a detailed range of risks;
- 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 issues have been identified from our work requiring formal comment or recommendation.

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.

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

At our final review we selected a random sample of 19 payments from the cash book. The sample included 28 invoices and totalled £235,802.

We note the large payments during the year for litigation costs. We understand the Courts do not provide invoices, however, supporting information was provided by the Officers to us in the form of emails, court transcripts and copy correspondence from the Solicitors. We also reviewed detail of the matter in the minutes. We understand that paperwork will be issued at the end of the process to support the recovery of VAT.

At our interim visit we 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. At our final visit we confirmed three further quarterly claims agreeing amounts in the VAT control account to the cash book or year-end debtor balance.

At our final visit we reviewed expenditure for the full year against budget and compared trends against prior years.

Conclusions

No matters have been identified in this area from our work requiring 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.

From our review of minutes, we note the Finance Committee received budget reports and details of bank balances during the year to facilitate oversight and monitoring. After detailed discussion at Committee level we note the Full Council approved the 2020/21 budget and precept at its meeting in January 2020.

At the year end reserves stood at £117,977 including earmarked amounts of £23,895, leaving a general reserve of £94,082. After allowing for now recurring spending in 2019/20, the general reserve represents some two and a half month's spending which is slightly below the normally accepted range of 3 to 6 months.

Conclusions

We note the Council is carefully managing its finances and has also increased the precept for 2020/21. No matters have been identified in this area from our work requiring formal comment or recommendation.

Review of Income

The Council receives income from a variety of sources annually in addition to the precept. As part of our annual audit we have:

- 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. At the time of our work income was being collected 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 receipt of a grant from Chiltern District Council for St Peter's Memorial Garden to a remittance advice from the grant paying body;
- Agreed the receipt of the 2019/20 precept as recorded in the Cash Book in April and September 2019 to the amount approved in the minutes;
- Reviewed year end debtors;

- Reviewed income against budget and against prior years; and
- Tested, as previously noted, two 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.

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;
- 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; and

- Completed a month on month trend analysis of payroll costs as recorded in the cash book for the whole year to confirm there were no material variations.

Conclusions

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

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 pleased to report that no issues arise in this area warranting formal comment or recommendation. It would assist the audit next year if additions in the year and disposals were highlighted in the register so we could more easily reconcile to the prior year amount recorded in the AGAR.

Investments and Loans

The Council holds funds with the Natwest and HSBC banks. We have agreed the year end balances as reported earlier in the section on Accounting Records and Bank Reconciliations.

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 these repayments in 2019-20 to the PWLB demand notices as part of our expenditure testing, as referenced above in this Report. We agreed the year-end balance in the AGAR 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 warranting formal comment or recommendation.

Statement of Accounts and AGAR

The Council's accounting system generates a Balance Sheet, Income and Expenditure Account and the AGAR (Annual Governance and Accountability Return) directly from the Rialtas software. We have agreed the figures in the AGAR to the supporting information.

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 from our work in this area and consequently, based on the work undertaken during the course of our audit of the Council for the year, we have duly signed off the Internal Audit Report in the Annual Governance and Accountability Return assigning positive assurances in each relevant area.

Annual Internal Audit Report 2019/20

CHALFONT ST PETER PARISH COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2020.

The internal audit for 2019/20 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored, and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. IF the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")			N/A
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
M. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

9/10/2019 7/5/2020

Name of person who carried out the internal audit

Chris Hackett for Auditing Solutions Ltd

Signature of person who carried out the internal audit

CH Hackett for Auditing Solutions Ltd

Date

8/5/2020

*If the response is 'no' you must include a note to state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).