
Chorleywood Parish Council

Internal Audit Report 2017-18: Final update

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For Auditing Solutions Ltd

Background

All town and parish councils are required by statute to make arrangements 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 Return. Auditing Solutions Ltd has provided this service to Chorleywood Parish Council.

This report sets out the work undertaken in relation to the 2017-18 financial year, which took place on 30th & 31st October 2017 and 10th January and 30th May 2018. At our first visit we also reviewed and verified detail of the War Memorial Hall Statement of Accounts for 2016-17, duly signing off the Independent Examiner's Certificate for submission to the Charity Commission.

Internal Audit Approach

In undertaking our reviews for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts/Annual Return. We have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in a number of key areas in order to gain sufficient assurance that the Council's financial and regulatory systems and controls are appropriate and fit for the purposes intended.

Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are 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 'Annual Internal Audit Report' in the Council's Annual Return, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, on the basis of the programme of work we have undertaken, the Council has maintained adequate and effective internal control arrangements.

We ask that members consider the content of this report and acknowledge that the report has been reviewed by Council

We are pleased to acknowledge that Council members and officers continue to operate a sound, pro-active approach to risk management and corporate governance issues, together with the development and management of effective internal controls and procedural documentation.

We have completed and signed the 'Annual Internal Audit Report' in the year's Annual Governance and Accountability Return, 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

The Council has utilised RBS Omega software for this financial year to maintain its day-to-day accounting records, which also form the basis of the year-end Statement of Accounts and Annual Return. Our objective in this area is to ensure that the accounting records are being maintained accurately and in a timely manner and that no anomalous entries appear in cashbooks or financial ledgers. We have consequently: -

- Ensured that an appropriate income and expenditure coding structures are in place;
- Agreed the year's opening balances for 2017-18 to those reported in the closing Trial Balance and Annual Return for 2016-17;
- Reviewed the current account bank reconciliations as at 30th April, 30th September and 31st December 2017 and 31st March 2018 ensuring that no long-standing "out-of-date" cheques or other anomalous entries exist;
- Reviewed transactions on the Council's other accounts where surplus funds are deposited in order to achieve a better rate of interest return;
- Tested a further sample of transactions for the year to March 2018 between the cashbook and Co-op bank statements, inter account transfers; and
- Checked and agreed any "sweep" transfers between the current and business premium account for the year to 31st March 2018.

Conclusions

No significant issues arise in this area.

Review of Corporate Governance

Our objective 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; that financial transactions are made in accordance with the extant Financial Regulations and that we have a reasonable expectancy of identifying any actions of a potentially unlawful nature that have been or may be considered for implementation.

- We have completed our review of the full Council and Standing Committee minutes for the financial year to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist; and
- We noted at our previous audit that both Standing Orders (SOs) and Financial Regulations (FRs) were reviewed and approved by Full Council in November 2015 to include the new Procurement Guidelines (Issued April 2015).

Conclusions

We are pleased to report that no issues have been identified in this area warranting further comment.

Review of Expenditure

Our aim here is to ensure that, in addition to confirming that sound financial control procedures are in place: -

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, where no other form of invoice is available;
- The correct expense codes have been applied to invoices when processed;
- To ensure compliance with the above criteria, we have selected a sample of payments processed in the financial year to March 2018 including all those individually in excess of £2,000 together with every 30th payment with 34 examined to December 2017 totalling £212,519 equating to 49% of total non-pay related expenditure.

In relation to VAT, we note that electronic return submissions (as required by extant legislation) continue to be made. We have verified the first two quarters submissions to the underlying control account to March 2018.

Conclusions

There are no issues arising in this area to warrant formal 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 / 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.

- Examined the Council's approach to the identification, recording and management of financial risks, reviewing the Council's schedule of risk assessments together with other risk documentation developed by the Clerk, also noting that the risk assessments have been reviewed and re-adopted by the Council in February 2018; and
- At this first visit for 2017-18 we examined the Council's insurance policy with Aviva for the financial year and confirmed that appropriate cover is in place in each relevant area which includes Public Liability and Employers Liability at £10million respectively and Fidelity Cover at £500,000.

Conclusions

No issues have arisen in this area warranting formal comment or recommendation currently with appropriate insurance cover in place.

Precept Determination and Budgetary Control

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We note that the Council, at its February 2018 meeting, approved a precept of £468,705 for 2018-19.

We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

We note that the year-end General Fund balance stood at £264,218 which approximates to four months' expenditure at current levels.

Conclusions

There are no issues arising in this area to warrant formal recommendation.

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that all income due to the Council is identified and invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies.

We have undertaken a review of the Village Day income, management controls, receipts and accounts recorded in the Omega accounting software and we are satisfied that this is well managed and that funds received are banked in a timely manner.

We note that The Council have also considered and approved an increase in fees for the Lawn Cemetery, Memorial plaques and allotments for 2018-19.

We have again at this update visit reviewed the Sales Ledger and the outstanding invoices and following a discussion with the Clerk consider that there are no significant long outstanding debts.

Conclusions

There are no issues arising in this area to warrant formal recommendation.

Petty Cash Account

We are required, as part of the annual Internal Audit reporting process on the Annual Return, to indicate the soundness of controls in this area of the Council's financial activities and note that an Imprest style petty cash scheme operates at the Council office with a maximum

holding of £200. We have reviewed the Petty Cash file for the Parish Council at this visit to ensure that the systems continue to operate effectively, also verifying the receipts and the physical cash held against the control records maintained.

Conclusions

No matters arise 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 HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, as regards employee contribution bandings. To meet this objective, we have:

- Reviewed the Council's payroll preparation procedures;
- Checked to ensure that the Council has reviewed and approved appropriate pay scales for staff;
- Checked and agreed the amounts paid to individuals by reference to the approved pay rates, examining payments made in September 2017;
- Ensured that PAYE, NIC and superannuation deductions have been made accurately by reference to the HMRC software and revised pension contribution bands;
- Ensured that the appropriate month's deductions and contributions have been paid over to HMRC and the County Pension Fund in a timely manner;
- Checked that any overtime paid is properly supported by duly authorised timesheets.

Conclusions

We are pleased to report that no significant issues have been identified in this area.

Fixed Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and agreed the principles used in the detail, as recorded in the Council's Asset Register, noting that it has been prepared using purchase cost values or where that value is unknown at the previous year's Return level or uplifted or decreased to reflect the acquisition or disposal of assets.

Conclusion

No issues require formal comment or recommendation.

Investments and Loans

The Council "invests" surplus funds in a Co-op Instant Access account, National Westminster account and a Scottish Widows "60-day investment account". We have

reviewed and verified detail for the year, together with accumulated gross interest with no issues arising. The Council has no loans either repayable to or by it.

Conclusions

There are no issues arising in this area to warrant formal recommendation.

Annual Governance and Accountability Return

The 1996 Accounts and Audit Regulations required that all Councils prepare a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs.

We have examined the Council's procedures in relation to the preparation of the year-end detailed Annual Governance and Accountability Return data, also reviewing the arrangements for the identification of year-end debtors and creditors with no issues arising.

Conclusions

No issues have arisen in this review area and, on the basis of work undertaken during the year, we have duly signed off the Internal Audit Report of the Annual Governance and Accountability Return, assigning positive assurances in each relevant area.