

Sandhurst Parish Council

Internal Audit Report 2018-19

John Watson

*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 Return (AGAR). Auditing Solutions Ltd has provided this service to Sandhurst Parish Council since 2014-15.

This report sets out the work undertaken in relation to the 2018-19 financial year, during our work in our office on 5th June 2019.

Internal Audit Approach

In undertaking 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 (AGAR). Our programme of cover has again 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 (AGAR), 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 undertaken during our visits this year, the Council continues to maintain adequate and effective internal control arrangements. We acknowledge the difficulties encountered because of the resignation of the previous Clerk and thank the new Clerk and the Responsible Financial Officer for their assistance, which has ensured the smooth progress of our review process.

We have completed and signed the 'Annual Internal Audit Report' in the year's AGAR 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 has been to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers.

The Responsible Financial Officer maintains the accounting records utilising the bespoke Alpha software. Two Unity bank accounts remain in use during the year. We have: -

- Checked and agreed the opening Alpha trial balance detail for 2018-19 to the closing Trial Balance and certified Annual Return for 2017-18;
- Verified that an appropriate cost centre and nominal ledger structure is in place;
- Noted that bank reconciliations are prepared routinely each month;
- Checked and agreed all transactions for the months of January to March 2019 on the Unity Trust bank accounts noting that a single cashbook is maintained in Alpha;
- Ensured that the accounts remain “in balance” at the financial year-end; and
- Agreed the bank reconciliation as at 31st March 2019 on both accounts;

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation. We have verified the accurate disclosure of the year-end balances in the year’s AGAR.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain (as we do not attend Council or Committee meetings), no actions of a potentially unlawful nature have been or are being considered for implementation. We have in this regard:-

- Noted that Standing Orders were reviewed and adopted at the Council meeting held on 9th October 2018 (minute 10/18/09 refers);
- Noted that Financial Regulations were reviewed and adopted at the Council meeting held on 14th February 2017;
- Further noted that these documents include the latest wording recommended by NALC in respect of the requirements relating to advertising all tenders with an anticipated value in excess of £25,000 to be formerly advertised on the Government “Contract Finder” website; and;
- Examined the minutes of meetings of the Full Council for the year to identify whether any issues arise that may have an adverse effect on the Council’s future financial stability with no issues arising;

We do suggest that both Standing Orders and Financial Regulations be reviewed by Council on an annual basis.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Review of Payments

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, where no other form of invoice is available;
- Members have met their fiduciary duties approving release of each payment in accord with existing legislation;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense headings have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery and that submissions have been made to HMRC in a timely manner.

We have previously discussed the procedures in place relating to the receipt, verification and approval of invoices for payment with the Clerk and the Responsible Financial Officer and continue to consider them to be sound: we note that Council are continuing to use the Unity Trust electronic payments system for the payment of invoices. We are pleased to note that the Council continue to use robust control measures whereby the Responsible Financial Officer loads payments on to the banking system and these payments are then separately authorised by two of three authorised Councillors.

In order to ensure compliance with the above criteria, we have examined the payments processed in May, June and July 2018 and are pleased to confirm that all in the test sample complied with the above criteria.

We also note that VAT reclaims are prepared and submitted to HMRC on a regular basis, the latest claim having been submitted in March 2019.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting 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: -

- Examined the Council's insurance policy with Zurich Municipal which provides cover to 30th September 2019 as part of a three year agreement to 30th September 2020. Employer's and Public Liability cover is in place at £10 million and £12 million respectively and Fidelity Guarantee cover is in place at £250,000; We consider cover to be at an appropriate level for the Council's requirements;
- Noted that the Councils Risk Assessment was last approved by Council at their meeting on 9th January 2018 (minute 01/18/7.5 refers); we remind the Clerk and Members of the Governance and Accountability Manual - Practitioners Guide (2014 edition)" mandatory requirement that risk assessments are reviewed and re-adopted formally by the Council each year; and
- Noted that the Council undertake regular checks of their play area with written records being retained in respect of these checks. We also note that an annual check is undertaken by a RoSPA certified contractor

Conclusions and recommendations

We draw the Clerk and members attention to the now mandatory requirement that financial and other risk assessments are subjected to at least annual review, update and formal re-adoption by the full Council and urge them to ensure that they comply in 2019-20. We shall continue to monitor progress in this respect at next year's review and report our conclusions accordingly.

R1. The Council should ensure that financial and other risk assessments are subjected to at least one annual review with the resultant output adopted formally by the full Council, as is now mandatorily required.

Budgetary Control and Reserves

We aim in this area of our review process to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the District Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We are pleased to note that, following discussion at the December Council meeting, the Council finally approved its budget and precept for 2019-20 at their meeting on 15th January 2019 setting the precept at £67,500 (minute 01/19/09).

We also note that members receive regular reports containing detail of all receipts and payments, together with account balances, detail being based on the Alpha accounting software data.

We have examined the year-end budget outturn as recorded in the Alpha software seeking and obtaining appropriate explanations for any significant variances existing by reference to the detailed Alpha transaction reports with no unexplained issues noted.

We have also considered the appropriateness of the level of retained reserves to fund the Council's ongoing revenue spending plans and any future development aspirations. We note that total reserves now stand at £20,544 of which £17,000 is a Contingency Earmarked Reserve. The balance of General Reserves of £3,544 equates to below one month's average revenue spending and is below the generally accepted CiPFA guideline of between three and six months' revenue spending.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Review of Income

The major sources of income for the Council are the Precept, fees arising from hire of the Old School Hall and playing fields, allotment rents, together with recoverable VAT, occasional grants, donations and bank interest.

We have examined the controls in place in respect of income arising from bookings at the Old School Hall and continue to consider that the collection and banking of fees continue to be satisfactory. We have reviewed a sample of the hall booking for the month of October 2018 and are pleased to report that no issues arise from our review in this area

We have also reviewed the Alpha detailed transaction reports ensuring that, as far as we are able to ascertain, all income due to the Council has been recovered and recorded appropriately in the correct nominal ledger accounts.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Petty Cash Account

We are required, as part of the annual Internal Audit Report process on the Annual Return, to indicate the soundness of controls in this area of the Council's financial activities and note that the account is "topped-up" periodically with round sum deposits drawn on the current bank account.

We have reviewed a sample of petty cash transactions for the months of January, February and March 2018 ensuring that each payment is appropriately supported and that, where applicable, VAT has been identified for periodic recovery; we are pleased to note that the balance of cash as at the year end was checked and verified by the Chair of the Council.

We note that the Clerk has use of a pre-loaded "Alto Card" and have checked the transactions for January, February and March 2019 as part of the payment review process as detailed previously in this report with no issues arising.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Salaries and Wages

In examining the Council's payroll function, we aim to confirm that existing legislation is being appropriately observed as regards adherence to the requirements of HM Revenue and Customs (HMR&C) legislation as regards the deduction and payment over of income tax and NI contributions; 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 February 2019;
- Checked to ensure that, where additional hours are paid, they are appropriately supported;
- Ensured that PAYE and NIC deductions have been made accurately by reference to the HMR&C Basic PAYE Tools software;
- Ensured that the appropriate month's deductions and contributions have been paid over to HMR&C in a timely manner; and
- Ensured that funds are released in accordance with government legislation and the Council's own Financial Regulations.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note that an appropriate asset register is in place. We are also pleased to note compliance with the AGAR reporting requirements with the purchase cost (net of VAT) of any new assets acquired in the year added to the register and disclosed appropriately in the year's AGAR.

We understand that a minimum level of £500 has been set for the capitalisation of assets.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation. We have ensured that the value of assets reported in the AGAR has been correctly disclosed

Investments and Loans

Our objectives here are to ensure that the Council is "investing" surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment accounts; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with appropriate loan agreements.

We have confirmed that the Council holds no long-term investments requiring disclosure in the Statement of Accounts, nor are there any loans with external bodies in existence repayable by or to it.

Conclusions

We are pleased to report that there are no issues arising in this area of our review process warranting formal comment or recommendation.

Statement of Accounts and Annual 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. The Council relies on the Accounts statements generated by the Alpha software to provide the relevant detail, together with that for disclosure in the year's Annual Return at Section 1.

We have reviewed the Statement of Accounts and Annual Return detail prepared by the Responsible Financial Officer, as generated from the accounting software with no obvious errors or anomalies in the detailed content

Conclusions

No issues have been identified in relation to the verification of detail in the Statement of Accounts and Annual Return this year.

On the basis of our detailed work during the course of the year on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurances, with one exception as detailed previously in this report, in each relevant area.

ACTION PLAN

Rec. No.	Recommendation	Response
Assessment and Management of Risk		
R1	The Council should ensure that financial and other risk assessments are subjected to at least one annual review with the resultant output adopted formally by the full Council, as is now mandatorily required.	