

## **Chipperfield Parish Council**

*Internal Audit Report 2019-20*

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*Sally King*

*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 year end Statement of Accounts and Annual Governance and Accountability Return (AGAR). Auditing Solutions Ltd has provided this service to the Council since 2013-14.

This report sets out the work undertaken in relation to the 2019-20 financial year.

## **Internal Audit Approach**

In undertaking the 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 and Annual Governance and Accountability Return (AGAR). Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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 process which requires independent assurance over several internal control objectives.

## **Overall Conclusion**

We have concluded that, on the basis of the programme of work undertaken this year, the Council has again maintained more than adequate and effective internal control arrangements. We commend the Clerk for the excellent records kept by her and thank her for her assistance, which has ensured the smooth progress of our review process.

Consequently, we have completed and signed the 'Internal Audit Report' as part of the year's AGAR process having concluded that, in all significant respects, the internal control objectives set out in that report were 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, which we note continue to be maintained using the RBS Rialtas accounting software. We have: -

- Reviewed the 2019-20 opening trial balance detail with that in the certified 2018-19 Statement of Accounts and Annual Return;
- Ensured that the cost and expenditure coding structure is appropriate for purpose;
- Noted that bank accounts are reconciled on a monthly basis.
- Checked and tested detail in the cashbook against bank statements in respect of the Nat West Current and Business Reserve Accounts for the financial year; and
- Checked and agreed detail for the year end in respect of the Deposit Account held with the Scottish Widows Bank.
- Verified the year-end bank balances for all bank accounts, ensuring the accurate disclosure of the combined balance in the year-end Accounts & AGAR.
- Noted that the accounting system is backed up to a memory stick and with RBS.

### *Conclusions*

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

## Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation. We have noted: -

- Council's Standing Orders and Financial Regulations were both formally reviewed and approved by the Council Meeting held on 21<sup>st</sup> January 2020 (minute ref 65/19), with no amendments to either.

We have also reviewed minutes of the Full Council for the year to 31<sup>st</sup> March 2020 to identify whether there are any salient financial or other issues that may affect the Council's future performance and financial stability and are pleased to report that no such issues were identified. We are pleased to note that payments listings are submitted to Council on a regular basis and that grants and donations are approved annually by the Council. We are also pleased to note that The Clerk is CiLCA qualified to Community Governance Level 4.

We thank the Chairman for completing our "Corporate Governance Questionnaire", which aims to afford us further assurance as to the soundness of the Council's overall governance arrangements

## *Conclusions*

*We are pleased to report that no significant issues have been identified in this area of our review process warranting 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, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have continued testing in this area selecting a sample of invoices individually in excess of £500 together with a random sample of every 20<sup>th</sup> payment processed in the year. This sample comprised 12 payments totalling £24,625 and equating to 52% of all non-salary payments to date.

We note that members review payments and with the two signatories signing. We also note that a summary of payments, are presented to Council on a regular basis. A schedule of direct debit and standing order payments is prepared by the Clerk each financial year and authorised by two council members.

We are pleased to note that VAT recovery claims have been submitted to HM Revenue & Customs to 31<sup>st</sup> March 2020.

## *Conclusions*

*We are pleased to report that there are no significant 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: -

- Reviewed the Council's approach to risk management noting that a Risk Assessment appraisal utilising the LCRS software was formally approved by Council at their meeting held on January 2020 minute ref 65/19 (i).

- Noted that the Council's general insurance coverage is provided by Axa through the auspices of Came & Co and that the commercial vehicle insurance cover is provided by Ageas. We have examined the former's policy schedule for the current year ending 31<sup>st</sup> May 2020 and both Public and Employer's Liability cover remain at £10 million, and Fidelity Guarantee at £500,000 all of which are considered adequate for a Council of this size; and
- Further noted that the Council does not own any play spaces or playing fields

### ***Conclusions***

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

## **Budgetary Control and Reserves**

We aim in this area of our work 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 of the precept to be submitted to the parent Council and 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.

The Clerk prepares the management report for F&GP every month and reports on any adverse variance, management report is produced for the full council meeting on quarterly basis.

We are pleased to note that, at their meeting held on 21<sup>st</sup> January 2020, Council agreed the detailed budget and set the precept for 2020-21 at £47,634, an increase of 1.86% on the 2019-20 figure (minute ref 65/19 j. ).

Finally, we note that, as at 31<sup>st</sup> March 2020, earmarked Reserves stood at £66,928. The general reserve £4,991, this equates to less than one month's expenditure and is below the guidelines of between three and six months revenue spending.

### ***Conclusions and recommendations***

***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**

Other than the Precept and other contributions from Dacorum BC, the Council receives very limited other income from grants, allotment rents and bank interest. In examining the Council's sources of income, we aim to ensure that all such income is identified, and recovered at the appropriate rate and within a reasonable time scale, also that it is banked promptly in accordance with the Council's Financial Regulations.

We note that the allotments are managed on RBS software. Invoices are emailed to the plot holders and payment received by cheque or directly into the bank. We have examined the register of allotment plots with no issues arising.

### *Conclusions*

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

## **Petty Cash Account**

The Council does not operate a petty cash account: the clerk reclaiming any out-of-pocket expenses as and when they are incurred.

## **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 in respect of the deduction and payment of income tax and NI contributions, together with meeting the requirements of the local government pension scheme in relation to employee contribution bandings and the application of actual salaries paid instead of whole time equivalent scales of pay. To meet the above objective, we have: -

- Reviewed the Council's payroll process and note that the payroll is outsourced to Community Action Dacorum.
- Checked and agreed the application of accurate PAYE codes and NIC tables;
- Noted that the appropriate payments have been made in respect of Pension contributions by both the employee and employer.
- Confirmed that staff net pay, Tax / NI and Superannuation totals have been properly paid to Employees and relevant agencies accurately and in a timely manner.

We note that at the meeting held on 25<sup>th</sup> June 2019 (minute ref 29/19) the Clerk's hours have been reduced from 26 to 22 per week.

### *Conclusions*

*We are pleased to report that no matters arise in this area of our review process warranting formal comment or recommendation.*

## **Asset Registers**

The Governance and Accountability Manual requires all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture and equipment owned by the Council.

We are pleased to note that the Clerk had prepared a detailed asset register which has been updated to include additions purchased in 2019-20, including a bus shelter. This was verified by a council member after a physical examination.

### ***Conclusions***

***We are pleased to report that there are no significant issues arising in this area of our review process warranting formal comment or recommendation. We have ensured the appropriate recording of these assets in the AGAR.***

## **Investments and Loans**

The Council “invests” surplus funds in both a National Westminster Reserve Account and a Scottish Widows Business Deposit Account. We have reviewed and verified detail of these accounts, together with accumulated gross interest for the year to date with no issues arising.

The Council has no loans either repayable to, or by, it.

### ***Conclusions***

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

## **Statement of Accounts and AGAR**

The Accounts and Audit Regulations 1996 (as amended periodically) required councils to prepare a formal Statement of Accounts and supplementary Supporting Notes. With effect from March 2011, the AGAR now forms the only statutory Accounts of the Council that are subject to external audit review and certification.

We have checked and agreed entries in the Statement of Accounts generated by the accounting software to the underlying Trial Balance and other documentation provided. Similarly, we have checked and agreed the financial data reported to the AGAR.

### ***Conclusions***

***No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR 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, in each relevant area.***