

Sunningdale Parish Council

Internal Audit Report 2018-19 (Final)

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*For and on behalf of
Auditing Solutions Ltd*

Background and Scope

The Accounts and Audit Regulations introduced from 1st April 2001 require all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. The Council complied with the requirements in terms of independence from the Council decision making process from the outset, appointing Auditing Solutions Limited to provide the Council's internal audit function.

This report sets out those areas examined during the course of our recent final visit for 2018-19, which took place on 26th April 2019, and supplements the interim work undertaken on 14th December 2018.

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 mis-recording or misrepresentation in the year-end Statement of Accounts.

As the Council's Internal Auditor and under the revised audit arrangements, we have a duty to complete the internal audit certificate in the Council's Annual Governance and Accountability Return (AGAR), which covers the basic financial systems and requires assurances in ten separate areas.

Overall Conclusion

We are pleased to report that the Council has effective systems in place and that the Clerk continues to exercise sound controls over the operation of the Alpha accounting software.

There are no significant matters arising of which members or officers are unaware: consequently, we have not considered it necessary to raise any formal recommendations in our reports.

The Council continues to engage third party contractors (DCK Accounting Solutions Ltd) for the production of its annual Statement of Accounts and supporting AGAR detail: at the time of this final visit, they had yet to start their work in this area but, none the less, because there are no matters arising we have duly signed off the Internal Audit Report at Page 3 of the AGAR and left the original documentation with the Clerk for completion at a later date. We will ensure that the Accounts are provided to us directly by the contractors for final testing remotely at a later date.

This report has been prepared for the sole use of Sunningdale Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

As previously reported, the Council uses the Rialtas (Alpha) accounting software to record accounting transactions through its principal current and notice deposit bank accounts at Handelsbanken in one combined cashbook.

Our objective in this area is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. To meet the above objectives, we have:

- Ensured that the opening balances recorded on the accounting system for 2018-19 reflect those in the certified 2017-18 Accounts and AGAR;
- Ensured that an appropriate cost and nominal coding structure remains in place;
- Ensured that the accounts system remains in balance at the present date;
- Checked and agreed transactions in the combined cashbooks for May & November 2018 and March 2019 to the relevant bank account statements;
- Checked and agreed the bank reconciliations as at 31st May & 30th November 2018 and as at 31st March 2019 to ensure that there were no long-standing or other anomalous entries existing.

Conclusions

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

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place, that Council and Committee (where appropriate) meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to reasonably ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Examined the minutes of the Full Council and standing Committee meetings (excluding Planning) for the municipal year to end 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, also ensuring that the Council has not taken, nor is planning, any actions that might result in ultra vires expenditure. We are aware of the current confidential matter arising in 2019-20 in relation to the management of certain Council assets and do not consider any further comment to be appropriate in this area currently; and
- We have previously noted that Full Council reviewed and re-affirmed its extant Standing Orders and Financial Regulations in January 2016 and August 2017 respectively: subsequently, at the previous interim visit, we noted that Council has adopted further revisions to Standing Orders in accord with NALC model documentation at the November 2018 meeting.

Conclusions

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

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 nominal codes have been applied in entering detail in the cashbooks; and
- VAT has been appropriately identified and been the subject of periodic recovery.

We have selected a sample of all those payments individually in excess of £1,000, together with a further selection of every 20th cashbook transaction (irrespective of value) for examination and confirmation of compliance with the above criteria for the year to 31st March 2019. Our test sample of 40 payments totals just under £59,000 and represents 49% of all non-pay related expenditure for the year.

We note that the VAT returns continue to be submitted on a regular quarterly basis, electronically as required by extant legislation, and have previously checked and agreed that the Q2 submission (period ending September 2018) was actioned in a timely manner and in accordance with the software control account balance. We shall consider the year-end debtor as part of the remote review of the AGAR detail at a later date.

Conclusions

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

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 identified in order to minimise the opportunity for their coming to fruition.

- We have previously noted (in our final report for 2017-18) that the most recent risk assessments had been adopted in April 2018 and are advised that a similar review will be undertaken at the forthcoming Finance Committee meeting prior to submission to Full Council for approval for the 2019-20 municipal year;

- We note that RoSPA play area safety inspection reviews continue to be undertaken and are acted upon routinely: these are further supplemented by individual risk assessments for specific events such as the Christmas Lights and also litter pickers / grass cutting contractors regularly monitor the Recreation Ground; and
- We note that the Council's insurance cover provider has been changed from Aviva to Hiscox with sound savings in premiums alongside improved levels of coverage: we have examined the current year's policy schedule (ending 30th September 2019) and note that both Public and Employer's Liability remained at £10 million, that Fidelity Guarantee has been increased to £200,000 and that Loss of Revenue has been increased to £20,000.

Conclusions

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

Precept Determination and Budgetary Control

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 to be precepted on the Royal Borough 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.

To meet this objective, we note from examination of minutes and other documentation that the process for determining the 2019-20 budget and Precept requirements had duly been completed at the Full Council meeting in January 2019, with the latter being approved at £184,214

We are also pleased to note that budget monitoring / management accounts, based on the accounting software, are routinely circulated to members and that revisions to presentation by the Clerk have previously been successfully introduced.

Conclusions

There are no issues arising in this area to warrant formal recommendation currently: we shall consider the year-end outturn remotely in due course and only comment further if any significant matters are identified.

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 income is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. Consequently, we have:

- As noted earlier in this report, checked and agreed three sample months receipts on the combined current & notice accounts cashbook to bank statements;

- Noted that, in accord with standard practices, the scales of fees and charges applicable for activities such as burials and room hires in 2018-19 were formally approved in the previous municipal year and copies of same obtained;
- Tested the Cemetery income by reference to the burial register entries for 2018-19 (14 in all), ensuring that each activity was charged in accord with the published scales, that each was properly supported by application forms & statutory certificates and have agreed all subsequent receipts to cashbooks;
- Examined a sample of the sales invoices raised for the Community room hire, again ensuring the rates charged were correct and had been paid in a timely manner;
- Noted the successful development of the tennis facility with the introduction of the membership packages and coaching courses in addition to the existing “pay as you play”, which has increased Council revenues significantly; and
- Noted the sound, Excel based, Allotment plot holder registers and have examined same to identify that all sums due for the latest renewals for 2019 had been received.

Conclusions

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

Petty Cash

As noted in previous years' reports the Council does not operate any petty cash scheme nor does it hold any corporate debit or credit cards.

Review of Staff Salaries

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) with regard to the deduction and payment over of income tax and national insurance contributions, together with meeting the requirements of the local government pension scheme, as most recently amended (albeit with marginal changes to employee salary band widths) with effect from 1st April 2018.

The Council currently employ just four members of staff for which a formal PAYE scheme is operated by the Clerk utilising the HMRC's free, bespoke PAYE Tools software: to satisfy the criteria above we have, by reference to the October 2018 payroll:

- Checked to ensure that the Council has approved employee pay rates for the financial year and that these have been duly and accurately applied;
- Checked to ensure that appropriate tax codes have been applied and deductions calculated accordingly;
- Checked to ensure that national insurance deductions were being computed accurately depending on whether or not the employee was contributing to the pension scheme;
- Checked that the correct superannuation deduction banding is being applied as appropriate;

- Verified the net payslip outturns to the electronic payments identified in both the cashbook and relevant bank statement; and
- Verified the monthly settlement of liabilities to third parties for PAYE and Pension contributions for the month to cashbooks.

Conclusions

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

Asset Registers

We have previously, in our final report for 2017-18, been pleased to note that the Clerk had updated the Council's asset register for acquisitions and disposals following a "hands on" review of the physical assets in the Parish during 2016-17 and, subsequently, ensured this was reviewed for the purposes of the 2017-18 AGAR.

Conclusions

As noted elsewhere, the Accounts and supporting statements such as the asset register, have yet to be completed at the time of this final visit for 2018-19 and we will verify this detail remotely in due course.

Investments and Loans

The Council holds no specific investments nor does it have any loans either repayable by, or to, it.