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# **Sunningdale Parish Council**

*Internal Audit Report 2018-19 (Interim)*

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*For and on behalf of  
Auditing Solutions Ltd*

## **Background and Scope**

The Accounts and Audit Regulations introduced from 1<sup>st</sup> 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 interim visit for 2018-19, which took place on 14<sup>th</sup> December 2018, and will be subject to further update following the final visit for the year in May / June 2019 after the year-end closedown is complete.

## **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 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 Return, 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 report at present.

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# 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 Annual Return;
- 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 and November 2018 to the relevant bank account statements;
- Checked and agreed the bank reconciliations as at 31<sup>st</sup> May and 30<sup>th</sup> November 2018 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 at present.*

## 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 to date: -

- Examined the minutes of the Full Council meetings (excluding Planning) for the municipal year to end November 2018 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; 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 this interim visit, we note that Council has adopted further revisions to Standing Orders in accord with NALC model documentation at the November 2018 meetin.

### *Conclusions*

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

## 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 20<sup>th</sup> cashbook transaction (irrespective of value) for examination and confirmation of compliance with the above criteria for the year to 30<sup>th</sup> November 2018. Our test sample of 30 payments totals £31,000 and represents 42% of all non-pay related payments for the year to that date.

We note that the VAT returns continue to be submitted on a regular quarterly basis, electronically as required by extant legislation, but have not undertaken any detailed testing at this interim stage, having previously checked and agreed detail of the March 2017 submission and the year-end debtor disclosure in the Statement of Accounts, other than to note that Q2 was submitted in accordance with the software control account balance.

### *Conclusions*

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

## 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 did not consider it necessary to re-consider this topic at this interim stage;
- 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 30<sup>th</sup> 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. We shall consider the renewed policy to September 2018 as part of the final audit work.

### ***Conclusions***

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

## **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 commenced, although formal determination was, at the time of this interim visit, still to be finalised at the Full Council meeting in January 2019.

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***

***We shall re-examine this area, also considering the year-end budget outturn and level of retained reserves, as part of our final audit review.***

## **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. At this interim stage, we have:

- As noted earlier, checked and agreed two sample months receipts on the combined current & notice accounts cashbook to bank statements; and
- 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.

### *Conclusions*

*No further testing was undertaken in the limited time available at this interim stage and we shall undertake necessary sampling, etc as part of the final audit work.*

## **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.*

## **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) 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 1<sup>st</sup> 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 at present.*

## **Investments and Loans**

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