

Sunningdale Parish Council

Internal Audit Report 2021-22 (Final update)

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Background and Scope

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2021-22 financial year, during our two review visits to the Council for the year, which were undertaken on site on 23rd November 2021 and 14th June 2022. We thank the Clerk and her staff for assisting the process, providing all necessary documentation in either hard copy or electronic format to facilitate completion of our review for the year.

Internal Audit Approach

In undertaking our review, we have as previously had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford 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 'IA Certificate in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

Overall Conclusions

We are pleased to advise that, based on the work undertaken this year, the Clerk and Council continue to maintain adequate and effective internal control arrangements with only a few relatively minor issues identified requiring attention and appropriate action. Detail of those issues is set out in the following detailed report with any resultant recommendations further summarised in the appended Action Plan.

We have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in all relevant areas, whilst noting that the external auditors have still to sign-off the 2020-21 AGAR following receipt of a query from a local elector, which is still under review.

We also take this opportunity to remind the Clerk of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation annually.

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

The Council uses the Rialtas Alpha accounting software to record transactions through its principal Current and Deposit bank accounts at Handelsbanken in a 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 2021-22 reflect those in the 2020-21 Accounts and AGAR;
- Ensured that an appropriate cost and nominal coding structure remains in place;
- Ensured that the accounts system remains in balance as at the financial year-end;
- Checked and agreed transactions in the combined cashbooks for the full financial year to the supporting bank statements;
- Checked and agreed the bank reconciliations as at 31st October 2021 and 31st March 2022 ensuring no long-standing uncleared transactions or other anomalous entries exist; and
- Ensured the accurate disclosure of the combined year-end balances in the AGAR at Section 2, Box 8.

Conclusions and recommendation

There are no issues of concern arising in this area, although, in noting that the monthly bank reconciliations generated by the Alpha accounts are subjected to routine scrutiny and sign-off by a nominated councillor, we note that the councillor is not provided with documentary evidence of the month-end cashbook balance. As the Alpha software does not require effective closedown at the end of each month, the cashbook balance can be obtained by printing off the Trial Balance at the same time as the bank reconciliation is undertake.

R1. The councillor checking the month-end bank reconciliations should be provided with and sign-off the first page of the month-end Trial Balance and also the bank statements as evidence of their effective review and verification of the combined bank and cashbook balances. The suggested documentation is now being provided to the nominated Councillor: the Clerk has agreed to ensure that all documentation is signed-off accordingly.

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 (SOs) and that, as far as we are reasonably able to ascertain as we do not attend meetings, 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 Committee meetings (excluding Planning) for the financial year and to date in 2022-23 as published on the website to determine 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 have previously noted that the Council reviewed and re-affirmed its extant Standing Orders (SOs) and Financial Regulations (FRs), the former in November 2018 and the latter in June 2019. We are pleased to note that they have been the subject of further review and been updated during 2021-22, both now being in line with the latest NALC model documents. We are also pleased to note that both make appropriate reference to the requirements of the Public Contracts Regulations 2015 with a consistent value for formal tender action set at £25,000.

We note that the external auditors have still to finally sign-off the 2020-21 AGAR following receipt of an enquiry from a local elector and will monitor progress / the outcome at future review visits.

Conclusions

There are no issues arising in this area warranting formal comment or recommendation at this stage of our review: we shall continue to monitor the position with regard to the external auditor's sign-off of the 2021-22 AGAR and ask that, once the certificate is received, we be provided with a copy.

We shall also continue our review of minutes at future reviews.

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 reviewed the operative procedures for the approval and release of payments the majority of which are now processed online and consider them appropriate for the Council's present requirements.

To ensure compliance with the above criteria, we have selected a sample of 54 individual payments processed in the year including all those individually in excess of £1,000, together with a more random selection of every 20th cashbook transaction (irrespective of value). This test sample totals £99,100 and equates to 63% by value of all non-pay related payments 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 examined the content of the year's reclaims prepared and submitted to HMRC agreeing detail to the supporting Alpha control account.

Conclusions

We are pleased to record that there are no issues arising in this area 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 identified to minimise the opportunity for their coming to fruition.

We noted in our final 2020-21 report that the Council's generic risk assessment registers were again comprehensively reviewed by the Clerk and members, the documents being adopted and approved by full Council at the meeting on 9th March 2021. We have also noted previously that the documents were reviewed and revised to take account of the Covid-19 situation as regards offices and other Council premises / properties. We now note that the Clerk has undertaken a further detailed review in the latter stages of 2021-22 developing a more robust document the content of which we have reviewed and consider appropriate for the Council's present requirements. We understand that for a variety of reasons, the document has yet to be formally approved and adopted by the Council and, whilst not strictly adhering to the requirements of the Practitioner's Guide which requires assessments to be subjected to at least once annual review and re-adoption, we have taken a pragmatic view and given a positive assurance at Box C of the IA Certificate as the review was actually undertaken during the year under review.

We note that the Council's insurance cover continues to be provided by Hiscox and have examined the current year's policy schedule noting that both Public and Employer's Liability stand at £10 million, with Fidelity Guarantee (FG) cover standing at £500,000 and Business Interruption - Loss of Revenue cover set at £60,000.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation: we shall continue to monitor the Council's approach to risk management our next visit.

Precept Determination and Budgetary Control

We aim in this review area 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 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.

We note from examination of minutes that members have, after due deliberation, agreed the budget and precept requirement for 2022-23, setting the latter at £213,224 at the Full Council meeting on 18th January 2022.

Finally in this area we note that Total Reserves at 31st March 2022 have increased significantly to £1,067,154 (£432,278 at 31st March 2021) primarily due to the receipt of CIL moneys. Of the total reserves, £944,512 is set aside in reserves earmarked for specific projects, etc. The residual

General Fund balance of £122,642 (£105,380 at the prior year -end) equates to approximately six months' revenue spending at current levels and is considered appropriate for the Council's ongoing spending requirements.

We are again pleased to note from our examination of Council and Committee minutes that periodic budget reports continue to be provided to and are duly considered by members: we have examined the final year-end budget outturn for 2021-22 seeking and obtaining appropriate explanations for any large or unanticipated variances by reference to the Alpha detailed transaction reports.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation this year: we shall continue to monitor the Council's budgetary performance at future reviews reporting any findings accordingly.

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.

We have examined income arising from interments and tennis court coaching fees, together with that arising from café sales during the summer school holidays, noting that the scales of fees and charges applicable for activities such as burials and room hire in 2021-22 have been formally reviewed and approved.

We have reviewed the Burial Register selecting a sample of 7 interments arising during the current financial year to date, detail of which we have checked to undertakers' application forms and the legally required burial / cremation certificates also ensuring that the correct fees have been charged and recovered in accordance with the approved scale of fees with funds also banked in a timely manner.

We have examined the register of tennis membership fees and consider that it is more than adequate for the Council's requirements affording a composite record of members and the fees paid.

We have also examined the weekly cash summary sheets that record the daily takings at the café run by the Council during the school summer holidays agreeing detail to the banking detail recorded in the Alpha cashbooks for August and early September 2021 with no issues noted warranting formal comment or recommendation.

We have also examined the detailed income transaction and budget reports for the current financial year to ensure that, as far as we are reasonably able to, all moneys due have been received and banked in a timely manner with no issues identified.

In examining the Alpha records, we noted at our interim review that a £5 refund of an allotment key deposit in April 2021 had been coded to code 230 – "allotment key deposits". As advised last year, key deposits do not represent Council income and should be regarded as a retained liability or creditor in the Council's accounting records. Appropriate action was taken to record such

deposits in code 511 last year and the correct posting of the above deposit refund should have been to debit that code reducing the retained balance accordingly.

Conclusions and recommendation

Whilst no significant issues arise in this area, an appropriate correcting journal should be raised in relation to the above £5 allotment deposit refund debiting code 511 and crediting code 230.

R2. The miscoded £5 allotment deposit refund should be corrected by journal as indicated in the body of the report. This has been corrected accordingly prior to the financial year-end.

Petty Cash and Credit Cards

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 HMRC regarding the deduction and payment over of income tax and national insurance contributions, together with meeting the requirements of the local government pension scheme.

The Council currently employs various members of staff for whom a formal PAYE scheme is operated by the Clerk using the HMRC's PAYE Tools software.

We have, by reference to the October 2021 payslips, ensured that; -

- The gross salary payments for all employees paid in October 2021 to the Clerk's record of national scale points and basic contracted weekly hours; and
- Checked to ensure that appropriate tax and national insurance deductions / contributions have been applied by reference to the relevant HMRC tables;
- Noted that the pension contributions continue to be paid to the NEST pension fund scheme; and
- Verified the net pay paid to each employee per the payslips for October 2021 as recorded in both the cashbook and supporting bank statements.

Conclusions

We are pleased to report that no significant issues arise in this area warranting formal comment or recommendation.

Asset Registers

We are pleased to note that the Council's asset register detail has again been reviewed and updated to reflect any additions or disposals in the year, also correctly showing values based on purchase cost, where known, or at the earliest known insurance value, which serves as the best estimate of value in accord with the requirements of extant guidance in "The Practitioner's Guide".

We are also pleased to note the existence of a comprehensive photographic register of the Council's asset stock.

Conclusions

There are no issues arising in this area.

Investments and Loans

We aim in this area of our review process to ensure that the Council is taking appropriate action to ensure interest earning capabilities are maximised whilst safeguarding the Council's resources. With all funds held deposited with a single bank, albeit in two accounts, the Council remains at a degree of risk should the bank "fail", as the Government's Compensation Scheme only covers the first £85,000 in any single banking institution.

We understand that the Council is due to meet with officers of CCLA in the near future with a view to placement of a proportion of the surplus funds held currently in a short term deposit. Whilst we cannot act as financial advisors, several of our other clients have deposited funds with the Cambridge and Counties Building Society and Hampshire Trust Bank with reasonable interest rates being achieved.

We have made previous reference to the requirements of the revised Statutory Guidance on Local Government Investments (3rd edition) applying from 1st April 2018 and are pleased to note the development and adoption of a formal policy in April 2021 the content of which we consider appropriate for the Council's present requirements.

The Council currently has no loans in place repayable either by or to it.

Conclusions

We are pleased to record that no issues have been identified in this area warranting formal comment or recommendation. We do, however, urge that the Council continues to seek appropriate investment opportunities for its surplus funds: we will continue to check on any progress in that respect at future reviews.

Statement of Accounts and Annual Return

The annual Statement of Accounts has been generated automatically by the Alpha accounting software with final journal entries made to record transactions, as now required, on an Income & Expenditure basis.

We have consequently verified the detail reported in the AGAR to the underlying Alpha and other relevant records with no matters arising.

Conclusions

Based on our detailed work during the year on the Council's systems of financial and management control, we have signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Rec. No.	Recommendations	Response
Review of Income		
R1	The councillor checking the month-end bank reconciliations should be provided with and sign-off the first page of the month-end Trial Balance and also the bank statements as evidence of their effective review and verification of the combined bank and cashbook balances.	<i>The suggested documentation is now being provided to the nominated Councillor: the Clerk has agreed to ensure that all documentation is signed-off accordingly.</i>
Investments and Loans		
R2	The miscoded £5 allotment deposit refund should be corrected by journal as indicated in the body of the report.	<i>This has been corrected accordingly prior to the financial year-end.</i>