



AUDITING SOLUTIONS LTD

---

## Sunninghill & Ascot Parish Council

*Internal Audit Report 2018-19 (Final)*

---

*Prepared by Nigel Archer*

*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 final visit for 2018-19, which took place on 17<sup>th</sup> May 2019 and supplements the interim work undertaken on 18<sup>th</sup> December 2018.

## **Internal Audit Approach**

In concluding 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 in short), which covers the basic financial and corporate systems and processes 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 Omega accounting software.

There are no significant matters or formal recommendations arising of which members or officers are unaware: consequently, we have not considered it necessary to raise any formal Action Plan in our report at present and we have duly signed off the Internal Audit Report at Page 3 of the AGAR, assigning positive assurances in all categories.

This report has been prepared for the sole use of Sunninghill and Ascot 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 Omega accounting software to record accounting transactions through its principal bank account at Lloyds, which is supplemented by periodic activity on the Victorian Fayre & Instant Access accounts and occasional fixed term deposit “investments”, also at Lloyds Bank as well as the Yorkshire Bank. 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 Omega 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 Omega accounts system remains in balance at the present date;
- Checked and agreed transactions in the Current and Victorian Fayre account cashbooks for four sample months (May, October & November 2018 and March 2019) to the relevant bank account statements;
- Checked and agreed all transactions (there being relatively few postings) in the Instant Access and CIL Reserve cashbooks to bank statements for the year to 31<sup>st</sup> March 2019; and
- Checked and agreed the bank reconciliations on all accounts as at 31<sup>st</sup> May and 30<sup>th</sup> November 2018, also as at 31<sup>st</sup> March 2019 to ensure that there were no long-standing or other anomalous entries existing.

### ***Conclusions***

*No significant issues arise 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 Committees’ 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;
- Noted that the Pavilion project has finally been brought to a conclusion with the keys being formally “handed over” in November 2018 and an official opening taking place in January 2019; and

- Noted that Full Council most recently reviewed and re-affirmed its extant Standing Orders and Financial Regulations in May 2018, with no significant revisions being considered necessary.

### ***Conclusions***

*No significant issues arise 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 £2,000, 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 31<sup>st</sup> March 2019. Our test sample of approximately 55 items totalled just over £183,000 and represented 69% 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 verified the Q2 (September 2018) and Q4 (March 2019) submissions to the underlying control account balances and to the closing debtor balance disclosed in the Statement of Accounts.

Finally in this area, we have updated our year-on-year analytical review of expenditure incurred across the range of Council activities with no significant, un-identified variances arising to warrant further enquiry or explanation by officers.

### ***Conclusions***

*No significant issues arise 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 are pleased to note that the most recent generic risk assessments utilising the bespoke LCRS software have been re-affirmed by Full Council at the May 2018 meeting and no further comment is considered necessary in this area at present;
- 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 external events; and
- We note that the Council's insurance cover provider has been changed from Aviva to Axa resulting in sound savings in premiums payable with no dilution of cover: we have examined the current year's policy schedule (to 31<sup>st</sup> May 2019) to ensure that it is up-to-date and appropriate for the present needs of the Council. Both Public and Employer's Liability stand at £10 million, Fidelity Guarantee remains at £150,000 and Loss of Revenue is also in place at £20,000.

### ***Conclusions***

***No significant issues arise 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 these objectives:

- We noted 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 the interim visit, still to be finalised at the Full Council meeting to be held in January 2019. Subsequently, at this final visit, we note the Council's deliberations had duly been concluded in this area at the January meeting with the Precept for 2019-20 being formally adopted (and properly recorded) at £171,507, excluding the Council Tax Support Grant of £5,763;
- We are also pleased to note that budget monitoring / management accounts are routinely circulated to members on a quarterly basis; and
- Finally in this area, we note that Total Reserves as at 31<sup>st</sup> March 2019 stood at £347,300, which was comprised of specific Earmarked items of £255,000 and the residual General Fund of £92,300: the latter represents approximately five months expenditure at current levels, which is considered to be more than acceptable to meet the needs of the Council at present.

### ***Conclusions***

***No significant issues arise in this area to warrant formal recommendation currently.***

## 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:

- As noted earlier, checked and agreed four sample months' receipts on the Current and Victorian Fayre account cashbooks to bank statements;
- Noted that, in accord with standard practices, the scales of fees and charges applicable for activities such as burials, pitch hires and allotment lettings in 2018-19 were formally approved by Council in the previous municipal year and that those for 2019-20 will remain unchanged (Leisure Committee in November 2018 refers);
- Verified from the burial registers maintained of Cemetery activities and supplementary cashbook & nominal ledger postings that all fees due for April to November 2018 were charged in accord with the published scales and received in a timely manner;
- Verified the accurate receipt of all interest arising on reserve and fixed term deposit accounts for the year to March 2019; and
- Verified all allotment rentals receivable from the register of plot holders to relevant Omega nominal ledgers.

Finally in this area, we have updated our year-on-year analytical review of income arising across the range of Council activities with no significant, un-identified variances arising to warrant further enquiry or explanation by officers

### *Conclusions*

*No significant issues arise in this area to warrant formal recommendation currently.*

## Petty Cash and Charge Cards

A limited petty cash account has been operated with an overall "imprest" value of £400 and periodic "top-up" cheques: these are subject to the standard payment approval processes as all other supplier payments and are cashed as and when required (generally on a monthly basis). The contractor accountant enters detail of monthly expenditure in the accounting software from the vouchers provided by the Clerk each month and we have identified this remains the case in 2018-19 as part of the payments / cashbook testing noted earlier in this report, also testing a sample re-imbursement in early November 2018 to supporting invoices / till receipts.

A Lloyds bank debit card is in place for occasional internet and local purchases and we have examined a brief sample of payments to supporting vouchers and verified that expenditure was appropriate for the Council's activities.

### ***Conclusions***

*No significant issues arise in this area to warrant formal recommendation currently.*

## **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 with effect from 1<sup>st</sup> April 2018 (albeit with minor revisions only for salary banding widths)

The Council continues to employ just two members of staff for which a formal PAYE scheme is operated by national, third party contractors (Safeguard World) using appropriate, bespoke payroll software: to satisfy the criteria above we have, by reference to the September 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;
- Checked that the correct superannuation deduction bandings are being applied as appropriate; and
- Verified the net payslip outturns to the electronic payments identified in both the cashbook and relevant bank statement.

### ***Conclusions***

*No significant issues arise in this area to warrant formal recommendation currently.*

## **Asset Register**

The Clerk has previously updated the asset register in a prior year, incorporating values based on the revised insurance values at that time (2012), which formed the basis for the revised disclosure requirements of the AGAR, namely values to be at purchase cost or, where that is unknown, a “proxy” cost with subsequent amendment for acquisitions or disposals only. Neither annual depreciation nor “insurance inflation” should be effected and we were pleased to acknowledge that the correct principle had again been applied in the 2017-18 Return. Subsequently, at this recent final visit, we have agreed with the Clerk that no amendments were required for 2018-19 (with capital works such as pathways not being a permanent fixed asset and the play equipment being effectively a replacement for previously scheduled assets) and have verified the overall values disclosed at Box 9, Page 5 of the AGAR.

### ***Conclusions***

*No significant issues arise in this area to warrant formal recommendation currently.*

## **Investments and Loans**

The Council holds no specific investments, although, as noted earlier in this report, it does occasionally deposit “excess” funds in Fixed Term deposits. Most recently in 2018, we note from cashbooks and third party advice notes that £50,000 has been re-invested in a Lloyds Bank deposit through to June 2019 and that this has been followed by another £50,000 deposit in the Yorkshire Bank through to September 2020. We have verified that these balances agree to the underlying closing trial balance and statement of Accounts for 2018-19

The Council does not have any loans either repayable by, or to, it.

### ***Conclusions***

***No significant issues arise in this area to warrant formal recommendation currently.***

## **Statement of Accounts and Annual Return**

As in prior years, the annual Statement of Accounts have been drafted by the external contractor (Ms Milsom) utilising the bespoke accounting software to close down the ledgers for the year and prepare the detailed Accounts, Supporting Statements and detail for transposition onto the AGAR at Page 5. We have checked and agreed the detail throughout to the supporting trial balance and other related schedules with no matters arising.

### ***Conclusions***

***On the basis of the very satisfactory completion of our programme of work for the year and, as noted in the preamble to this report, we have signed off the Internal Audit Report within the AGAR, assigning positive assurances in each relevant category.***