

## **Sunninghill & Ascot Parish Council**

*Internal Audit Report 2019-20 (Final)*

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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 the work undertaken in relation to the 2019-20 financial year, during our initial visit to the Council, which took place on 14<sup>th</sup> November 2019, and subsequently, remotely in our office in early August 2020 due to the impact of the Covid-19 pandemic. We wish to thank the Clerk in assisting the process, providing all necessary additional (to that examined at our interim visit) documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's Annual Governance and Accountability Return (AGAR in short). We have, obviously in the circumstances, reduced the volume of transactions examined in some areas such as supplier payments, whilst still ensuring governance and financial controls remain effective.

## **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 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 officers and the contractor continue 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 and we have duly signed off the Internal Audit Report at Page 3 of the AGAR assigning positive assurances in all relevant 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 and CIL reserve 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 2019-20 reflect those in the certified 2018-19 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 all receipt transactions in the Current account cashbooks for April to September 2019 (due to the relatively low volume of postings) and also March 2020 to the relevant bank statements;
- Checked and agreed payment transactions in the Current account cashbooks for the sample months of April & September 2019 and also March 2020 to the relevant bank statements;
- Checked and agreed all transactions (there being relatively few postings) in the Fayre, Instant Access and CIL Reserve cashbooks to the relevant bank statements for the year to March 2020; and
- Checked and agreed the bank reconciliations on all four accounts as at 30<sup>th</sup> September 2019 and 31<sup>st</sup> March 2020 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 early October 2019 in full and, where practicable using those published on the Council’s website for the second interim period from October 2019 to March 2020 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 Full Council most recently reviewed and re-affirmed its extant Standing Orders and Financial Regulations in May 2019 and again in August 2019, with no revisions of note 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> October 2019. Our test sample of approximately 30 items totals £83,700 and represents 63% of all non-pay related payments for the year to that date. Subsequently, we have visually examined the Omega payments schedules for November to 2019 to March 2020 to verify that the significant transactions continued to be those previously tested such as grounds maintenance, litter and waste collection contracts and payroll expenditure.

We note that the VAT returns continue to be submitted on a regular quarterly basis, electronically as required by extant legislation, but did not undertake any detailed testing at the interim stage, having previously checked and agreed detail of the March 2019 submission and the year-end debtor disclosure in the Statement of Accounts at the last final visit, other than noting that the Q1 submission had been made in accord with the underlying control account balances and had been received in a timely manner. Subsequently, we note the Council has submitted all four quarterly returns and is now operating HMRC's new Making Tax Digital processes.

### ***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 2019 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 noted previously in our reports for 2018-19 that the Council's insurance cover provider had 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 2020) to ensure that it is up-to-date and appropriate for the present needs of the Council: both Public and Employer's Liability remain 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. Consequently:

- We note from examination of current Council and Committee minutes that periodic budget monitoring reports and accompanying variance analyses continue to be considered by members of the full Council and its working Committees and there are no significant, un-explained variances arising therein to warrant further enquiry or explanation by officers;
- We also note from examination of minutes and other supporting documentation that members had been provided with the proposed budgets and Precept for 2020-21 and subsequently confirmed that the Precept for next year was determined at the Full Council meeting on 2<sup>nd</sup> January 2020 and formally adopted at £201,690; and
- Finally in this area, we note that Total Reserves as at 31<sup>st</sup> March 2020 stood at more than £436,000, which comprised of specific Earmarked items totalling £333,000 and the residual General Fund of £103,000, which represents approximately six months expenditure at current levels.

### ***Conclusions***

***No significant issues arise in this area to warrant formal recommendation currently although we have observed, as per earlier correspondence with the Clerk, that the total sum of the Precept was not identifiable in the minutes (although we note the agreed Band D value) and this should be done as soon as practicable at a future meeting***

## **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. Therefore, we have:

- As noted earlier in this report checked and agreed all receipts on the Current and other accounts for the year to end September 2019 and then for March 2020 on the Current account and remainder of year to March 2020 on all other accounts from cashbooks to relevant 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 2019-20 were formally approved by Council in the previous municipal year; and
- Verified from the burial registers maintained of Cemetery activities and supplementary cashbook & nominal ledger postings that all fees due for April to September 2019 were charged in accord with the published scales and received in a timely manner.

### ***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 expenditure in the accounting software from the vouchers provided but we note that just one transaction has arisen in the current year to October 2019, any such expenditure has largely been replaced by the use of the Lloyds bank debit card, although to October 2019 just four items of expenditure arose in this manner.

### ***Conclusions***

***No further testing was considered necessary in this area at the interim stage.***

## 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 2019 (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 2019 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 current Clerk has updated the asset register, ensuring compliance with 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 and neither annual depreciation nor "insurance inflation" should be effected. As part of this final review, we concur with the Clerk that no amendments were required for 2019-20 (with expenditure on 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 and as at 31<sup>st</sup> March 2020, two such deposits of £50,000 each were held at Lloyds Bank and Yorkshire Bank.

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 data 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 at Page 3 of the AGAR, assigning positive assurances in each relevant category.*