

Chalfont St Giles Parish Council

Internal Audit Report 2021-22: Final up-date report

Chris Hackett

Consultant Auditor

For and on behalf of Auditing Solutions Ltd

Background

All town and parish councils are required by statute to arrange for an independent internal audit examination of their accounting records and system 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 our review for the 2021-22 financial year, which took place on 9th November 2021 and 19th May 2022 together with our preparatory work. We wish to thank the Clerk for providing all the requested documents to facilitate the completion of our work.

Internal Audit Approach

In undertaking 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 Accounts/AGAR. Our programme of cover has been designed to provide appropriate 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 'Internal Audit Report' in the Council's AGAR, which requires independent assurance on specified internal control objectives.

Overall Conclusion

Based on the work we have completed the Council continues to maintain clear records well supported by suitable documentation. We have signed the Internal Audit section of the Council's AGAR assigning positive assurance against the control objectives.

We request that this report is presented to Members.

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Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Clerk uses the RBS Rialtas accounting software to record financial transactions.

The Council's accounts comprise seven cash books, the main Cash book (One) records transactions on the Natwest Current and Reserve Accounts. Further cash books record transactions on the second Natwest reserve account, the Buckinghamshire Building Society account, the Hampshire Trust Bank deposit and the CCLA account. There are also separate cash books for processing and recording payroll transactions and petty cash.

In the conduct of our audit this year we have:

- Reviewed the report of the external auditor on the 2020/21 accounts noting there were no matters raised requiring our follow up;
- Agreed the opening Rialtas system trial balance for 2021-22 with the prior year closing trial balance confirming information had correctly been carried forward;
- Checked that a full and effective cost centre and nominal account code structure remains operational within Rialtas;
- Discussed with the Clerk the arrangement's for ensuring the system is backed up regularly to ensure the security of data, we understand the Rialtas ledger is now backed up to a Cloud as well as a data stick;
- Run a data check on the Rialtas system at our interim and final stage reviews to ensure the Trial Balance agreed and that it was reconciled to the nominal ledger, to ensure the overall system was in balance;
- Discussed with the Clerk the arrangements for recording journals, manual adjustments to the accounts noting that an audit trail is maintained;
- Examined and verified two month's transactions as recorded in the Council's main Cash Book (One) by reference to the NatWest bank account statements (September 2021 and March 2022) including transfers between the accounts and agreed the reconciliation at 31st August and 30th September 2021 and 28th February and 31st March 2022 confirming there were no longstanding out of date cheques or other adjustments on the reconciliations;
- Verified the reconciliation on the reserve account, Cash Book two, at 30th September 2021 and 31st March 2022 noting the limited movement on the account during the year;
- Agreed the movements on the Payroll Cash Book in September 2021 and March 2022 to the bank confirming the account was cleared at the month end;
- Agreed the reconciliation on Cash Book seven to the CCLA statements at 30th September 2021 and 31st March 2022, agreeing also the transfer to set up the account in April between the CCLA and Natwest account statements; and
- Due to the limited transactions on the accounts with the Buckinghamshire Building Society and the Hampshire Trust Bank, statements are provided annually. We have

agreed the balances at 31st March 2022 as recorded in Rialtas to the statements from the two institutions.

The testing on the petty cash accounts is reported in a later section.

Conclusions

The Council continues to maintain up to date accounts completing regular bank reconciliations. We note the reconciliations are reported Members.

We have agreed the cash balances to the AGAR.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity. As part of this year's audit we have:

- Completed our examination the full Council's and standing Committees' minutes for the financial year 2021-22 as posted on the Council website to identify whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability;
- Noted that Financial Regulations and Standing Orders were reviewed and re-approved by the Council during 2021 and that the Council recently adopted a new model code of conduct;
- Confirmed the Council posts details of payments individually above £500 on its website; and
- Confirmed the Council advertised the audit of its 2020/21 accounts in the summer of 2021 by publishing the notice of public rights.

Conclusion and recommendation

The Council has arrangements for ensuring its governance. The Transparency Code requires Council's publish detail of land on its website.

R1 The Council should post a pdf summary of its asset register on the website.

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 is obtained, where no other form of invoice is available; and
- VAT has been appropriately identified and coded to the control account for periodic recovery and that submissions have been returned in a timely manner.

We discussed the controls in place at the Council for processing and approving trade payments. To gain assurance in this area we have tested a sample of 38 cash book payments, supported by 44 invoices processed during the financial year to 31st March 2022 for compliance with the above criteria. Our test sample includes all those payments individually in excess of £1,500, plus every 20th other payment as recorded in the Rialtas cashbooks and totalled £124,979 equating to 64% of the value of non-pay related payments in the year.

We confirmed the amount of VAT outstanding to be recovered by the Council at the end of the financial year 2020/21 was paid by HMRC in May 2021. We reviewed the first three quarterly returns for 2021/22 made to HMRC for the recovery of VAT agreeing the amount claimed to the nominal ledger and the amount recovered to the Council's cash book.

Conclusion

All payments were supported by invoices, or in the case of grants, by Council minutes, except for one amount for £420 paid to Hillier Nurseries. For this an order was provided evidencing the payment which we understand related to delivery charges for a large purchase.

No matters have been identified from our work requiring recommendations.

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 in order to minimise the opportunity for their coming to fruition. Specifically, we:

- Noted the Council adopted its risk assessment at its March 2022 meeting following initial review by the Finance and General Purposes Committee. The risk register identifies the risk, assesses the impact and details the controls. It includes financial as well as operational risks;
- Reviewed the Council's current insurance policy provided by Axa which runs to 31st May 2022 noting it provides cover for;
 - Property/buildings insurance
 - Business interruption insurance loss of revenue £10,000
 - Employer's liability £10m
 - Public liability £10m

- Hirer's indemnity £5m and
 - Fidelity guarantee £850,000; and
- Discussed arrangements for carrying out safety inspections of play areas to ensure arrangements have continued noting they are done weekly by the Groundsman and annually ROSPA carry out a review.

Conclusions

The Council is continuing to monitor risks. We noted that at the time of our interim review the Council's cash holdings overall totalled £924,000 compared to fidelity guarantee insurance of £850,000. To avoid any issues around 'under insurance' the Council may wish to increase its cover in this area to £1m, normally this would not affect the premium. We note this has now been done.

Precept Determination and Budgetary Control

Our aim here is to ensure that the Council has undertaken a budget determination exercise, which forms the basis of the annual precept request, that Members receive regular reports identifying the budget position throughout the year and that the Council monitors its level of reserves.

We are pleased to note that Members continue to receive regular budget reports, details of accounts for payment and bank reconciliations during the year.

We have examined the 31st March 2022 year-end Rialtas budget report and summary AGAR accounts confirming the reasons for significant variances.

We note the Council goes through a formal process of setting future year's budgets and precepts. Following detailed consideration by Committees of their budgets full Council approved the 2022/23 budget and precept at their meeting in January 2022. To inform the process members were provided with detailed information through the Rialtas budgeting module.

We note that Members keep the Council's reserves under review. At the year-end, 31st March 2022 the Council's total reserves were £785,995, including a general reserve of £120,953 and earmarked reserves of £665,042. Spending in 2021/22 was £283,698 or £23,641 a month. The general reserve represents some 5 months spending and is within the normal expected range for parish councils of 3 to 8 months.

Conclusion

We are pleased to record that no issues arise in this area of our review warranting formal comment or recommendation.

Review of Income

The Council receives income from the precept and smaller amounts from grants, donations, devolved services, rents and burial fees. We have reviewed the budget report from Rialtas and:

- Agreed the amount received in respect of the 2021/22 precept as recorded in the Rialtas Cash Book one to the remittance advices from Buckinghamshire Council and to the list of 2021/22 precept demands published by the Government;
- Reviewed the burial register noting there were two interments recorded between April and September. For these two interments we confirmed that certificates of cremation or burial were held, agreed the fees charged to the scale of charges and confirmed the income was recorded in Rialtas;
- Noted that the Council reviewed its burial fees in November 2021;
- Agreed the income for devolved services to the Agreement with Buckinghamshire Council and to the remittance advice;
- Agreed the income recorded in Rialtas for CIL of £8,654.63 to correspondence;
- Agreed a grant of £1,200 from the Friend of Chalfont St Giles Church to a copy of the cheque and a letter of acknowledgement from the Council;
- Agreed three grants received during the year from the Community Board totalling £6,158 to correspondence;
- Reviewed year end debtors; and
- As previously reported, we have agreed two months of receipts from the bank statements to Cash Book one.

Conclusion

We are pleased to record that no issues arise in this area of our review warranting formal comment or recommendation.

Petty Cash Account

We are required to confirm in the Internal Audit Report in the AGAR that the Council is correctly operating its petty cash account.

Petty cash is recorded in Rialtas Cash Book five. We confirmed with the Clerk the controls over the operation of petty cash. We tested payments in June and August 2021, as a sample, to the receipts confirming they were retained. We confirmed a reconciliation of physical cash held to the Rialtas Cash Book was completed at 30th September 2021.

Conclusion

No issues arise in this area of our review.

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) legislation specifically the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme and NEST pension scheme.

Preparation of the payroll is outsourced to DCK Accounting. We confirmed with the Clerk the arrangements for processing payroll. We tested payroll transactions in August 2021 as a sample month, specifically we:

- Obtained details of the approved pay points for the staff and confirmed the gross pay per the August payslips to the Council approval and the national scales. For a new member of staff we agreed their gross pay per the payslip to their contract;
- Re-performed the calculation of tax, national insurance and pension calculations per the August payslips;
- Agreed the costs detailed in the summary payroll report from August payslips and to the amounts recorded in Rialtas cash book four; and
- Completed a monthly trend analysis of payroll costs to identify any material anomalies.

Conclusion

We are pleased to record that no issues arise in this area requiring recommendations.

Fixed Asset Register / Inventory

The Governance & Accountability Manual (G&AM) requires all councils to maintain a record of all assets owned. We are pleased to note the existence and maintenance of an appropriate register, which has been updated to reflect detail of new acquisitions in the year. Assets are identified in the Register by category eg infrastructure assets, buildings etc and valued at cost net of VAT for publication in the AGAR. We have, consequently agreed the amount recorded in the AGAR at Section 2, Box 9.

Conclusion

We are pleased to record that no issues arise in this area requiring recommendations

Investments and Loans

We aim in this area to ensure that the Council is taking all appropriate measures to ensure that it maximises the recoverable interest on its surplus funds subject to ensuring the security of funds. We note the Council has adopted a formal Investment Policy.

We have agreed the investments in deposits to the statements from third party financial institutions as referred to earlier in this report.

The Council has no loans repayable to a third party.

Conclusion

No issues arise in this review area.

Statement of Accounts and AGAR

The Rialtas software automatically generates the year-end detailed accounting information including a Balance Sheet, Income / Expenditure Account and AGAR data. We have consequently reviewed and verified the accurate detail in these reports and its subsequent disclosure in Section 2 of the year's AGAR.

Conclusion

No additional issues arise in this review area. We have duly signed off the Internal Audit Certificate in the year's AGAR providing a copy for the Clerk's necessary further action. 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 for the financial year.

Appendix1: Recommendations

Rec. No.	Recommendations	Response
Review of Corporate Governance		
R1	The Council should post a pdf summary of its asset register on the website.	