

Chalfont St Giles Parish Council

Internal Audit Report 2021-22: Interim

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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 the interim review for the 2021-22 financial year, which took place on 9th November 2021 together with our preparatory work. Due to the impact of the Covid-19 pandemic the interim review has been undertaken remotely. We wish to thank the Clerk for providing all the requested documents in electronic format to facilitate the completion of our work. This Report will be updated following our final visit/review which will be arranged to follow closure of the year's Accounts next summer.

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 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 eleven internal control objectives.

Overall Conclusion

Based on the work we have completed to date the Council continues to maintain clear records well supported by suitable documentation.

We wish to thank the Clerk for her assistance and 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.

At this interim visit we:

- 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;
- Ran a data check on the Rialtas system 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 one month's transactions as recorded in the Council's main Cash Book (One) by reference to the NatWest bank account statements (September 2021) including transfers between the accounts and agreed the reconciliation at 31st August and 30th September 2021 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 noting the limited movement on the account during the year;
- Agreed the movements on the Payroll Cash Book in September 2021 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, agreeing also the transfer to set up the account in April between the CCLA and Rialtas; and
- Due to the limited transactions on the accounts with the Buckinghamshire Building Society and the Hampshire Trust Bank, statements are provided only annually. We will review the balances on these accounts at the year-end 31st March 2022. 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 note back-ups of the electronic records are stored in a safe. Control would be strengthened if back-ups were stored off site, for example via the use of a Cloud. Whilst not making a formal recommendation the Council may wish to consider this, which is common practice at most councils.

We will undertake further testing at the year-end agreeing the information 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. At this interim stage we have:

- Commenced 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

We are pleased to report that no matters have been identified from this area of our work to date. We will complete our review of minutes at our final visit/review.

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 16 cash book payments, supported by 21 invoices processed during the financial year to 30th September 2021 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 £47,280 equating to 65% of the value of non-pay related payments in the year to date.

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 quarterly return 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. No matters have been identified from our work to date requiring recommendations. We will review payments in the second half of the year at our final visit and extend our testing as appropriate.

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:

- 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 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 will extend our work reviewing the Council's overall annual risk assessment at our final visit.

Review of Income

The Council receives income from the precept and smaller amounts from grants, donations, devolved services, rents and burial fees. At our interim visit we have reviewed the latest 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;
- 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;
- 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; and
- As previously reported, we have agreed one months of receipt from the bank statements to Cash Book one.

Conclusion

We are pleased to record that no issues arise in this area. At our final review we will complete our year on year comparison of income and undertake further testing as necessary.

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 payslips and to the amounts recorded in Rialtas cash book four; and
- Commenced a monthly trend analysis of payroll costs to identify any material anomalies.

Conclusions

We are pleased to record that no issues arise in this area requiring recommendations. We note the Council is in discussion with the Local Government Pension Scheme as it currently has no active members. We will complete our trend analysis at our final visit/review.