

## **Chalfont St Giles Parish Council**

*Internal Audit Report 2022-23: Interim*

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*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 the interim review for the 2022-23 financial year, which took place on 23<sup>rd</sup> November 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. This Report will be updated following our final visit/review which has been 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 specified 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 and investments in the Buckinghamshire Building Society, the Hampshire Trust Bank and the CCLA. 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 2021/22 accounts noting there were no matters raised requiring our follow up;
- Agreed the opening Rialtas system trial balance for 2022-23 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 this is done remotely to a cloud with additional Rialtas backups to a memory stick;
- 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;
- 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 (October 2022) including transfers between the accounts and agreed the reconciliation at 30<sup>th</sup> September and 31<sup>st</sup> October 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 30<sup>th</sup> September 2022 noting the limited movement on the account during the year and that Natwest statements are provided quarterly; and
- Agreed the movements on the Payroll Cash Book in October 2022, as a sample, to the bank confirming the account was cleared at the month end.

Our work on petty cash and investments is detailed later in this report.

### Conclusions

***The Council continues to maintain up to date accounts completing regular bank reconciliations. We note the reconciliations are reported Members and initialled by the Chair of Finance.***

***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 2022/23 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 Standing Orders and Financial Regulations were re-adopted by the Council at the Annual meeting on 4<sup>th</sup> May 2022;
- Confirmed the Council continues to post details of payments individually above £500 on its website; and
- Confirmed the Council advertised the audit of its 2021/22 accounts in the summer of 2022 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 17 cash book payments, supported by 20 invoices processed during the financial year to 30<sup>th</sup> September 2022 for compliance with the above criteria. Our test sample includes all those payments individually in excess of £1,500,

plus every 20<sup>th</sup> other payment as recorded in the Rialtas cashbooks and totalled £123,132 equating to 79% of the value of non-pay related payments in the year to date.

We note the Council tendered a contract for works at the Bowstridge Recreation Ground and we inspected the invitation to tender and detail of the bids received.

We confirmed the amount of VAT outstanding to be recovered by the Council at the end of the financial year 2021/22 was paid by HMRC in May 2022. We reviewed the first quarterly VAT return for 2022/23 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, at this stage we have:

- Reviewed the Council's current insurance policy provided by Axa which runs to 31<sup>st</sup> May 2023 noting it provides cover for;
  - Property/buildings insurance
  - Business interruption insurance
  - Employer's liability £10m
  - Public liability £10m
  - Fidelity guarantee £1m; and
- Discussed arrangements for carrying out safety inspections of play areas to ensure arrangements have continued noting they are done weekly by a trained Groundsman and annually by an external inspection company.

### ***Conclusions***

***The Council is continuing to monitor risks.***

***We will extend our work, specifically we will review 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 2022/23 precept as recorded in the Rialtas Cash Book One to the amount set and approved in the Council's minutes;
- Reviewed the burial register noting there were four interments recorded between April and September 2022. For these 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 correspondence from Buckinghamshire Council;
- Tested donations received during the year of £20,000, toward the construction of a footpath, to email correspondence;
- Agreed receipt of two Community Board payments accrued at the end of 2021/22 to the amounts receipted in the current year; and
- As previously reported, we have tested one month's receipts 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 agreed the physical cash held at the time of our visit to the Cash Book balance in Rialtas.

### *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.

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 2022, as a sample month, specifically we:

- Agreed the totals from the payroll report to the amounts recorded and paid per the Rialtas Cash Book Four;
- Re-performed the calculation of tax and national insurance, per the August payslips;
- Agreed the calculation of employer's pension contributions to the amount set by Buckinghamshire Pension Fund and ensured the employee's contributions agreed to the nationally set banding requirements; 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 will complete our trend analysis at our final visit.*

## Investments and Loans

We aim in this area to ensure that investment balances are accurately stated in the accounts and that the Council is taking 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. At this stage we have:

- Agreed the reconciliation on Cash Book seven to the CCLA statement at 30<sup>th</sup> September 2022;
- Agreed the balance reported currently in Rialtas in respect of the Buckinghamshire Building Society account to the account book also confirming the interest due has been added to the balance during the current financial year; and
- Noted the one-year bond with the Hampshire Trust bank was rolled over in June 2022 and agreed the balance reported in Rialtas to the letter from the bank.

### Conclusion

*No issues arise from our work to date in this area. We will agree year end balances to the third party statements at our final visit/review.*