

Chalfont St Giles Parish Council

Internal Audit Report 2023-24: 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 2023-24 financial year, which took place on the 21st November 2023 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 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 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 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 nine 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, the CCLA, Cambridge and Counties Bank and Redwood Bank. 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 2022-23 accounts noting there were no matters raised requiring our follow up;
- Agreed the opening Rialtas system trial balance for 2023-24 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;
- 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 2023) including transfers between the accounts and agreed the reconciliation at 30th September and 31st October 2023 confirming there were no longstanding out of date cheques or other adjustments on the reconciliations;
- For Cash Book two, relating to the reserve account there are few movements on this Natwest account and statements come through quarterly, therefore we agreed the reconciliation at 31st July 2023 and 30th September 2023 and agreed the three monthly interest payments between these dates to the Cash Book from the bank statement; and
- Agreed the movements on the Payroll Cash Book in October 2023, as a sample, to the bank and agreed the transfer from the main Cash Book One.

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 periodically 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 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 3rd May 2023;
- Noted the Council has adopted the General Power of Competence;
- Noted the Council submitted its governance documentation for review through the Local Council Awards Scheme;
- Confirmed the Council continues to post details of payments individually above £500 on its website; and
- Confirmed the Council advertised the audit of its 2022-23 accounts in the summer of 2023 by publishing the notice of public rights.

Conclusions

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 25 cash book payments, supported by 28 invoices processed during the financial year to 31st October 2023 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 Cash Book and totalled £248,522 equating to 67% of the value of non-pay related payments in the year to date.

We note the Council tendered contracts for works at the Playground at Pheasant Hill and for works at the Village Pond. We briefly inspected the tender documentation in respect of these two contracts.

We confirmed the amount of VAT outstanding to be recovered by the Council at the end of the financial year 2022-23 was paid by HMRC in April 2023. We reviewed the first two quarterly VAT returns for 2023-24 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.

Conclusions

All payments in our sample 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. At this stage we have reviewed the Council's current insurance policy provided by Hiscox which runs to 31st May 2024 noting it provides cover for:

- Buildings and Contents;
- Business interruption;
- Employer's liability up to £10m;
- Public liability up to £10m; and
- Fidelity guarantee £1m.

Conclusions

No matters requiring recommendations have been identified from our work to date. We will review the Council's overall risk assessment at the final stage of our audit.

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 2023-24 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 five interments recorded between April and September 2023. We selected one interment confirming a certificate for burial was on file and that the fee charged by the Council agreed to the published schedule of rates and that the income arising was recorded in Rialtas;
- Agreed the 2023-24 income for devolved services to correspondence from Buckinghamshire Council;
- Tested donations and miscellaneous receipts during the year of £4,322 in respect of an insurance claim to correspondence;
- Tested grants received in the year to date of £15,000, toward a playground, to a remittance from the Area Board and £1,740 toward Coronation Celebrations to a letter from the Community Fund;
- Agreed CIL received of £3,450 to a remittance advice from Buckinghamshire Council; and
- As previously reported, we have tested one month's receipts from the bank statements to Cash Book one.

Conclusions

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. There are few payments from this account, but we sample checked one payment in October 2023 confirming a till receipt was on file supporting the spend.

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 note a monthly report detailing on-line banking payments, including salary payments, is held on file and initialled by the Clerk and two Members. We tested payroll transactions in September 2023, 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 and to the internet banking report;
- Re-performed the calculation of tax and national insurance, per the September 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/review.

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 dated 30th September 2023;
- Agreed the balance reported currently in Rialtas in respect of the Buckinghamshire Building Society account at 31st October 2023 to the account book also agreeing the transfer out of the account in October of £103,584 to the payment in to Natwest as recorded on the Bank Statement;
- Agreed the balance reported in Rialtas in respect of the annual Bond with the Hampshire Trust Bank to the statement dated 23rd June 2023;
- Agreed the balance reported in Rialtas in respect of the Bond at Redwood Bank to a statement from the Bank dated 24th July 2023; and
- Agreed the balance reported in Rialtas in respect of the Bond at Cambridge and Counties bank to an email acknowledgement dated 7th September 2023.

Conclusions

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.