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## **Chalfont St Peter Parish Council**

***Internal Audit Report 2022-23 (Final Up-date)***

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***Consultant Auditor***

***For and on behalf of Auditing Solutions Ltd***

## Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and systems 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 during our review of the Council for 2022/23, which took place on 22<sup>nd</sup> November 2022 and our final visit on 10<sup>th</sup> May 2023 together with the preparatory work. We wish to thank the Clerk and Assistant Clerk for providing all the records in electronic format to facilitate 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 miss-recording or misrepresentation in the year-end Statement of 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 over specified internal control objectives.

## Overall Conclusion

We are pleased to conclude that, based on the areas examined, the Council continues to operate effective control systems that help ensure that transactions are free from material misstatement and will be reported accurately in the AGAR and detailed Statement of Accounts for the financial year. We have duly signed the Internal Audit Section of the AGAR assigning positive assurance against the control objectives.

We request this report is presented to Members.

## 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 Council uses the Rialtas accounting package to record its financial transactions maintaining a cash book for the current account at Natwest and a cash book for the HSBC community account. There is also a separate cash book for recording petty cash. In addition, cash books have been set up for recording transactions on investment accounts at the Buckinghamshire Building Society, Cambridge and Counties Bank, Hampshire Trust Bank and the CCLA public sector deposit fund. We have:

- Reviewed the External Auditor's report on 2021/22 to confirm there were no matters arising requiring our follow up;
- Agreed the opening Rialtas trial balance for 2022/23 with the 2021/22 closing trial balance to confirm records had been correctly brought forward;
- Checked that a full and effective cost centre and nominal account code structure remains in place;
- Confirmed, based on the Rialtas Ledger back-ups provided to us for our interim and final reviews, that the Ledger was in balance by running a data check;
- Discussed with officers the arrangements for backing up the Rialtas Ledger which we understand is done regularly to a Cloud by the Council's IT provider;
- Examined and verified two sample month's cash book account transactions on the main NatWest Current account (September 2022 and March 2023) by reference to supporting bank statements agreeing also the reconciliations completed at 31<sup>st</sup> August and 30<sup>th</sup> September 2022 and 28<sup>th</sup> February and 31<sup>st</sup> March 2023; and
- Similarly agreed the cash book transactions in September 2022 and March 2023 for the HSBC community account to the statements and agreed the reconciliations at 31<sup>st</sup> August and 30<sup>th</sup> September 2022 and 28<sup>th</sup> February and 31<sup>st</sup> March 2023.

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

#### Conclusions

*We are pleased to record that no issues have been identified in this area from our work. The accounts are being maintained in balance and there are no material longstanding cheques in the reconciliation.*

*We have agreed the bank balances to the year-end AGAR at line 8.*

### 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 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. We have:

- Completed our examination of the Council's and standing Committees' minutes as posted on the website for the financial year 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;
- Noted the Council reviewed and agreed its Standing Orders at the meeting held in April 2022;
- Confirmed that payments over £500 are reported on the Council's website to meet the requirements of the Transparency code; and
- Noted the Council advertised the availability of its 2021/22 accounts by posting the notice of public rights on its website, although the external auditor noted the date of posting the notice overlapped the period for public inspection by one day.

### **Conclusion**

***No issues have been identified from our work. The Council is maintaining its governance arrangements.***

## **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;
- An official order has been raised covering the purchase where no formal contractual arrangement is in place; 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 controls over the authorising of payments with the officers, noting that Members are provided with a list of payments for approval and that they sign cheques, invoices, direct debit and charge card documentation.

To gain assurance in this area we substantively tested a sample of 60 payments supported by 100 invoices paid in the year to 31<sup>st</sup> March 2023 selected from the main cash book. Our sample included all payments individually in excess of £2,000, plus every 20<sup>th</sup> other payment recorded

to ensure items were selected randomly, but included material items. Our sample totalled £294,967 equating to 75% of the value of non-pay related payments in the year.

We note the Council let a tender for work at Cheena Meadow Play Area, we discussed the process with officers.

We confirmed that VAT due for recovery at 31<sup>st</sup> March 2022 has been reclaimed from HMRC. We further reviewed the quarterly VAT reclaims for the year agreeing amounts to the nominal ledger and agreeing receipt of the reclaims to the cash book. We confirmed the year end VAT debtor was included in the AGAR reconciliation.

### ***Conclusion***

***No matters have been identified in this area from our work. Based on our testing payments are supported by invoices.***

## **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. We have:

- Noted the Council adopted its 2022/23 risk assessment at the meeting in July 2022. The Council uses the LCRS software to record its assessment which includes a range of financial risks;
- Examined the Council's current year insurance policy with Zurich which runs to 31<sup>st</sup> May 2023 noting that cover includes:
  - Buildings and equipment
  - Public liability £15m
  - Hirer's liability £2m
  - Employer's liability £10m
  - Fidelity insurance £500k; and
- Confirmed arrangements for ensuring the safety of play equipment noting the Haywarden Team carry out regular safety inspections of all play areas supplemented by an annual external inspection provided by a contractor.

### ***Conclusions and recommendation***

***The Council has arrangements for managing risks.***

*It is normally considered good practice for the level of fidelity guarantee insurance to cover the level of cash and investment balances. At the time of our interim review cash and investments totalled some £778,000 against insurance cover of £500,000.*

*R1 The Council should increase its level of fidelity guarantee insurance in line with its cash and investment balances. (Insurance has now been increased to £1m).*

## **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 the Council receives regular reports identifying the budget position throughout the year and monitors its levels of reserves.

The Council set its 2023/24 budget and precept in November 2023 following initial consideration by the Committees, setting the latter at £515,485. Members were supported in their decision making by a detailed budget report. This set out projected movements in reserves, projected 2022/23 spending to the year end. It further analysed income and expenditure by committee responsibility. A commentary was provided on changes year on year and the Report included capital projects.

We note that to facilitate monitoring of the current year budget Councillors receive regular financial reports.

At 31st March 2023 reserves were £472,678, including a general reserve of £274,929 and earmarked reserves of £197,749. Spending in 2022/23 was £550,983 or £45,915 a month. General reserves are some 6 months spending which is within the normal range for a parish council.

We reviewed income and expenditure for the full year making comparison to trends over previous years. We note the variations in 2022/23 reflect a number of one-off projects including spend on play equipment.

### **Conclusion**

*No matters arise from this area of our work requiring formal comment or recommendation.*

## **Review of Income**

The Council receives income from a variety of sources in addition to the precept. We examined the budget reports and we:

- Agreed the first and second instalments of the 2022/23 precept as recorded in the Cash Book in April and September 2022 to the amount approved in the minutes. We further agreed the amount received to the list of 2022/23 parish precept demands published independently by the Government;

- Examined two burials from the burial register confirming a certificate of burial or cremation was held and agreeing the amount charged to the schedule of fees published on the Council website and confirming a receipt was on file for the income;
- Reviewed income on the memorial garden testing to receipts, we note that for the main grant from HS2 the donor does not provide a remittance advice detailing the amount;
- Tested street lighting income to invoices; and
- As previously noted, tested two month's income in the main Natwest Cash Book to the bank statements and confirmed recovery of VAT.

### ***Conclusion***

***The Council has systems for recording income.***

## **Petty Cash Account**

The Council operates a petty cash account on an imprest basis with a float of £150: payment detail is recorded in a separate cashbook in the Rialtas Ledger. Individual petty cash payments are recorded on a slip which is signed. The slips are supported by either till receipts or invoices. Members approve the petty cash reimbursements and initial the accounting records.

We have examined the payments made in September 2022, as a sample, to the detail confirming they were supported by invoices or till receipts and that petty cash slips were signed by an officer. We confirmed with officers that reconciliations of the cash were performed.

### ***Conclusion***

***No issues arise in this area warranting formal comment or recommendation.***

## **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 HMRC legislation relating to the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the NEST pension scheme. Preparation of the payroll continues to be outsourced and is done by DCK payroll Solutions Ltd.

To meet our objectives, we have:

- Obtained the payroll reports for August 2022, as a sample and agreed the totals to the Rialtas cash book;
- Tested the calculation of tax, national insurance and pensions for staff paid in August 2022; and
- For one officer, reviewed their contract of employment to the gross pay for consistency.

At the year-end we completed our monthly trend analysis of payroll costs to confirm there were no material anomalies.

#### ***Conclusion***

***No issues have been identified in this area of our work. The Council has arrangements for maintaining its payroll.***

## **Asset Register / Inventory**

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We are pleased to note the existence and maintenance of an appropriate register. We have agreed the total on the asset register to the AGAR Section 2 box 9.

#### ***Conclusion***

***We are pleased to report that no issues arise in this area warranting formal comment or recommendation.***

## **Investments and Loans**

Our objective here is to confirm loan and investment balances reported in Rialtas are supported by third party bank or loan statements and that interest is brought to account. We have:

- Agreed the balance on the CCLA account set up in the year as reported in Rialtas to the September CCLA statement and agreed the transfer from the Natwest account to set up the investment, then at the year-end agreed the balance reported in the AGAR to the CCLA statement;
- Agreed the year-end balances on the other investment accounts, specifically; with the Buckinghamshire Building Society to an email confirmation, for the Hampshire Trust Bank to correspondence and for Cambridge and Counties to a statement; and
- Tested the interim repayments of loan to the PWLB to the third-party demand notice and agreed the year-end loan balance reported in the AGAR to the Government's Debt Management Office website.

#### ***Conclusion***

***There are no matters arising in this area, we have agreed the balances to the AGAR.***



## Statement of Accounts and AGAR

The Council's accounting system generates a Balance Sheet, Income and Expenditure Account and the AGAR (Annual Governance and Accountability Return) directly from the Rialtas software. We have agreed the figures in the manually prepared AGAR (being the document posted on the website and to the External Auditor) to the supporting information.

We have examined the Council's procedures in relation to the identification of year-end debtors and creditors with no issues arising.

### *Conclusions*

*No issues arise from our work in this 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.*

Rec. No.	Recommendations made during the Interim Audit	Response
<b>Assessment and Management of Risk</b>		
R1	The Council should increase its level of fidelity guarantee insurance in line with its cash and investment balances.	<i>Insurance has now been increased to £1m</i>