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## **Chalfont St Peter Parish Council**

*Internal Audit Report 2021-22 (Interim Up-date)*

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***Chris Hackett***

***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 interim review of the Council for 2021-22, which took place on 4<sup>th</sup> November 2021 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. This report will be up-dated following our final review in the summer timed to take place after the year end accounts preparation.

## 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 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 eleven internal control objectives.

## Overall Conclusion

We are pleased to conclude that, based on the areas examined to date, 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 made one recommendation relating to a new bank account which reflects a timing issue. It was not possible to agree the reconciliation at the time of our review due to the account only having just been set up and statements not being available.

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, a new cash book has just been set up for the newly opened account at Cambridge and Counties bank. At this interim stage we:

- Reviewed the External Auditor's report on 2020/21 to confirm there were no matters arising requiring our follow up;
- Agreed the opening Rialtas trial balance for 2021-22 with the 2020-21 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-up provided to us for our interim review, that the Ledger is 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 the hard drive and to a memory stick and stored in a fire proof safe. Also we understand that back-ups are done regularly to a Cloud;
- Discussed with officers the process for recording and approving journals, manual adjustments to the Rialtas Ledger, which are done by the Assistant Clerk and signed by the Clerk;
- Examined and verified one sample month's cash book account transactions on the main NatWest Current account (September 2021) by reference to supporting bank statements agreeing also the reconciliations completed at 31<sup>st</sup> August and 30<sup>th</sup> September 2021;
- Similarly agreed the cash book transactions in September 2021 for the HSBC community account to the statements and agreed the reconciliations at 31<sup>st</sup> August and 30<sup>th</sup> September 2021; and
- Confirmed arrangements for Member oversight of the bank reconciliations which is done by the Finance and General Purposes Committee.

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

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

***At the time of this review the Council had recently set up an account with Cambridge and Counties Bank transferring £80,000 to the new account. Due to the timing of our work statements were not available for the new account, although we confirmed the £80,000 left the NatWest account.***

***We will undertake further testing at our final review to confirm the accurate disclosure of the combined year-end cash and bank balances in the 2021/22 AGAR.***

***R1 Members when reviewing the November 2021 bank reconciliations should ensure a statement is provided by Cambridge and Counties Bank showing the transfer of £80,000 from the Council's Natwest account and ensure that this is reconciled to the new Rialtas cash book three.***

## **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. At this review stage we have:

- Commenced our examination of the Council's and standing Committees' minutes posted on the website for the financial year to date 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's Standing Orders were approved in March 2020 and the Financial Regulations were updated at the Finance & General Purposes Committee on 15th July 2021;
- Confirmed that payments over £500 are reported on the Council website to meet the requirements of the Transparency code; and
- Noted the Council advertised the availability of its 2020/21 accounts by posting the notice or public rights on its website.

### ***Conclusion***

***No issues have been identified from our work to date requiring formal recommendation. We will extend our review of minutes to the end of the financial year at our final 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;
- 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 23 payments supported by 28 invoices paid in the year to 30<sup>th</sup> September 2021 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 £122,999 equating to 69% of the value of non-pay related payments in the year to date.

We noticed costs totalling £5,300 relating to grass cutting at the Garden of Rest, were charged to cost centre 210 accounts code 4025, described as 'consultancy costs'. The Council may wish to consider if there is a better code that could be used.

We noted the Council recently let a contract for works to landscape St Peter's Garden. We reviewed briefly the contract documentation noting a tender was drawn up and placed on the Government website. Bids were evaluated and reported to Members.

We confirmed that VAT due for recovery at 31<sup>st</sup> March 2021 has been reclaimed from HMRC. We further reviewed the first quarterly VAT reclaim for the year agreeing amounts to the nominal ledger and agreeing receipt of the reclaim to the cash book.

### **Conclusion**

*No matters have been identified in this area from our work to date requiring formal comment or recommendation. At our final visit we will review outturn expenditure against budget investigating any unusual items.*

## **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:

- Examined the Council's current year insurance policy with Zurich which runs to 31<sup>st</sup> May 2022 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 weekly safety inspections of all play areas.

### **Conclusion**

*No matters arise in this area from our work to date requiring formal recommendations. We will review the Council's overall risk assessment, which is completed annually, normally in March.*

## **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.

Our work was undertaken in advance of the completion of the budget setting exercise. We note Councillors receive a monthly information pack showing income and expenditure against budget with an explanation of significant variances.

### **Conclusion**

*No matters arise at this stage requiring formal comment or recommendation. We will review 2021/22 budget outturn, 2022/23 precept setting and reserve levels at the final stage of the audit.*

## **Review of Income**

The Council receives income from a variety of sources annually in addition to the precept. At the interim review we examined the latest budget reports and we:

- Agreed the first and second instalments of the 2021/22 precept as recorded in the Cash Book in April and September 2021 to the amount approved in the minutes;
- Examined the procedures relating to the recording of burials and recovery of appropriate fees. We sample checked details of five interments selected from the Burial Register in June and July 2021, testing to ensure certificates of burial/cremation were held, that the fees charged agreed with the Council's schedule of rates and that the income could be traced into the Rialtas Ledger thereby confirming it was brought to account;
- Noted the Council received £59,280 in the period to 30<sup>th</sup> September 2021 in respect of the Memorial Garden. We agreed local donations for the Memorial Garden to the Council receipt book. Some £56,039 was received from the HS2 Community and Environment Fund. We understand from officers that when these payments are received they are not supported by remittance advices, however, the amounts received tallied with the contract payments made by the Council for the landscaping works at the Memorial Garden; and

- As previously noted, tested a month's income in the main Natwest Cash Book to the bank statements and confirmed recovery of VAT.

### **Conclusion**

*We are pleased to record that no issues arise in this area from our work to date. At our final visit we will up-date our year on year analytical review of income querying any unusual items.*

## **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 and then authorised by a second person. 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 July, August and September 2021, as a sample, to the detail confirming they were supported by invoices or till receipts and that petty cash slips were signed by a second officer. We confirmed with officers that reconciliations of the cash were performed, although as our review was completed remotely did not physically verify the cash held.

### **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 an establishment list from the Assistant Clerk and agreed this to the July payslip report;
- Agreed the gross pay per their payslips for two recent starters to their contract of employment. For one we agreed their July payslip to their contract and for one starting in August we agreed their September payslip to their contract;
- Checked the calculation of tax, national insurance and pension payments for all staff as recorded on the July payslips as a sample month;

- Agreed the payroll costs from the July payslip report to the payroll summary report as a sample then agreed the summary report to the amounts recorded as paid in the Rialtas cash book; and
- Commenced our monthly trend analysis of payroll costs to identify any material anomalies.

### ***Conclusion***

***No issues have been identified in this area of our work. The Council has arrangements for maintaining its payroll. We will monitor payroll costs at our final review in the summer.***



Rec. No.	Recommendations made during the Interim Audit	Response
<b>Maintenance of Accounting Records &amp; Bank Reconciliations</b>		
R1	Members when reviewing the November 2021 bank reconciliations should ensure a statement is provided by Cambridge and Counties Bank showing the transfer of £80,000 from the Council's Natwest account and ensure that this is reconciled to the new Rialtas cash book three.	