



Chalfont St Peter Parish Council

Internal Audit Report 2022-23 (Interim Up-date)

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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 2022/23, which took place on 22nd November 2022 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 updated 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 specified 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 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, the CCLA public sector deposit fund. At this interim stage we:

- 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-up provided to us for our interim review, 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 one sample month's cash book account transactions on the main NatWest Current account (September 2022) by reference to supporting bank statements agreeing also the reconciliations completed at 31st August and 30th September 2022; and
- Similarly agreed the cash book transactions in September 2022 for the HSBC community account to the statements and agreed the reconciliations at 31st August and 30th September 2022.

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 to date. The accounts are being maintained in balance and there are no material longstanding cheques in the reconciliation.

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 2022/23 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 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 as 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 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 to date. We will extend our examination 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 29 payments supported by 56 invoices paid in the year to 30th September 2022 selected from the main cash book. Our sample included all payments individually in excess of £2,000, plus every 20th other payment

recorded to ensure items were selected randomly but included material items. Our sample totalled £113,394 equating to 72% of the value of non-pay related payments in the year to date.

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 31st March 2022 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. 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 31st 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. We will review the Council's overall risk assessment, which is completed annually, normally in March, at our final review stage.

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 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.

Review of Income

The Council receives income from a variety of sources 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 2022/23 precept as recorded in the Cash Book in April and September 2022 to the amount approved in the minutes;
- 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 a 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. 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. 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;
- For one officer, reviewed their contract of employment to the gross pay for consistency; 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.

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. At this stage we have:

- Agreed the balance on the new CCLA account reported in Rialtas to the CCLA statement and agreed the transfer from the Natwest account to set up the investment; and
- Tested the interim repayment of loan to the PWLB to the third-party demand notice.

Conclusion

There are no matters arising in this area currently. Due to the lack of transactions on the other investments the Council normally only receives annual statements. We will agree all year end loans and investments to the third-party documentation at our final stage review.

Rec. No.	Recommendations made during the Interim Audit	Response
Assessment and Management of Risk		
R1	The Council should increase its level of fidelity guarantee insurance in line with its cash and investment balances.	