

# **Aston Clinton 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 and Scope**

Statute requires all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually with the results reported in the Annual Governance and Accountability Return (AGAR). This report sets out those areas examined during our interim review of the Council for 2022-23, which took place on 14<sup>th</sup> February 2023. We wish to thank the Clerk for providing all the records in electronic format to facilitate our work. This report will be further updated following our final review due to take place in the summer after the Council's 2022/23 Accounts are closed down.

## **Internal Audit Approach**

In commencing our review for 2022-23 we have paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the Accounts and AGAR, together with examining the overall governance framework. Our aim is to ensure that the Council operates robust control systems and that transactions are, as far as we are reasonably able to ascertain, processed in accordance with national and locally approved procedures and regulations. Our work is also designed to enable us to sign the 'internal audit' report in the AGAR which requires us to give assurance on specified internal control objectives.

## **Overall Conclusion**

We are pleased to conclude that, in the areas examined for the year to date, the Council continues to have effective systems in place that help ensure that transactions are free from material misstatement and will be reported accurately in the Annual Accounts and AGAR.

We request that this report is presented to Members and that the Council confirms when this will be done.

# Detailed Report

## Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the Council's accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We aim also to ensure the integrity of the data and that appropriate arrangements are in place for its security. The Clerk maintains the Council's accounting records using the Rialtas Omega software with support from the software supplier as and when required. Three bank accounts are in operation, two with Barclays (Current & Tracker) and one at the Unity Trust Bank with a separate cash book set up in Rialtas for each account. At this interim review we have:

- Ensured the accurate carry forward of the prior year, 2021/22, closing balances to the current year's accounting records;
- Confirmed the External Auditor raised no issues on the 2021/22 accounts;
- Ensured that a comprehensive, meaningful and appropriate cost centre and nominal account coding structure is in place;
- Confirmed the Rialtas ledger was in balance at the time of our review, specifically that the trial balance agreed and was balanced to the nominal ledger;
- Discussed arrangements for backing up the Rialtas system, which we understand is done to a cloud;
- For the Barclay's current account, as a sample, we agreed the balance on the cash book at 30<sup>th</sup> November 2022 to the bank and agreed the movements in December between the bank statements and the cash book and agreed the balance per the bank at 31<sup>st</sup> December 2022 to the Rialtas generated bank reconciliation;
- For Cash book two, recording the Barclays Tracker account, we agreed the balance per the bank statement at 31<sup>st</sup> December 2022 to the Rialtas generated bank reconciliation and agreed the receipt of interest for the third quarter of the financial year between the bank statement and the cash book; and
- For cash book four, recording transactions on the Unity Trust account, we agreed the balance per the bank at the start of December to the cash book balance and then agreed all the movements in the cash book for December to the bank statements and agreed the balance per the bank to the Rialtas generated bank reconciliation at 31<sup>st</sup> December 2022.

### *Conclusions*

***The accounts are in balance. There were no long-standing unrepresented cheques or other adjustments on the reconciliations.***

***At the year end we will agree the balances to the accounts ensuring they are correctly reported in the AGAR.***

## Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place and that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs).

To meet that objective, we have:

- Noted that Financial Regulations were re-adopted by the Council in May 2022 following detailed review at the Finance and Staffing Committee;
- Noted the Council adopted the General Power of competence at its meeting in September 2022;
- Commenced our review of Council and standing committee minutes, excluding those related to Planning issues, for the financial year reading those to date, as published on the Council's website, to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist;
- Noted the Council publishes detail of payments over £500 by minuting them and annually posting a schedule onto its website; and
- Confirmed the Council advertised the external audit of its 2021/22 accounts by posting the notice of public rights on its website.

### Conclusions

*We are pleased to record that no issues have been identified in this review area. We shall continue to review minutes and consider the Council's approach to governance issues at future visits/reviews.*

## Review of Expenditure

Our aim here is to ensure that:

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Suitable documentation supports the payments, 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, where no other form of invoice is available;
- Members are effectively controlling the management of funds and demonstrating such by evidencing their review of documentation supporting payments processed;
- The correct cost centre and nominal account code has been applied;
- Where deemed appropriate, an official order has been raised;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount; and
- VAT is being identified and coded appropriately for recovery from HMRC.

We discussed with the Clerk the controls in place over the processing and authorisation of payments. We note that payment lists are provided to Council meetings with Members inspecting hard copy invoices. The on-line payment is then authorised by two Members.

We have selected an audit sample comprising 39 individual payments processed in the financial year to 31<sup>st</sup> December 2023. Our test sample includes larger payments and a random selection of smaller ones across the cash books recording transactions on the Barclay's and Unity Trust accounts. Our sample totals £173,408 equating to 63% of non-pay related payments in the year so far. All invoices were provided for our review.

We note at the time of our review the Council is planning to sign off the snagging list on the Community Centre.

The Council has had works done on the playing field and we enquired of the tender process and were provided with copy bid documents for audit review.

We have agreed the receipt of VAT due at 31<sup>st</sup> March 2022 into the accounts and sample checked the first two quarterly VAT claims in 2022/23 confirming VAT is being recovered.

### **Conclusions**

*There are no matters arising from our work in this area requiring formal recommendations.*

*At our final review we will examine expenditure for the full year and complete any additional testing as necessary.*

## **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 to minimise the opportunity for their coming to fruition.

We note that the risk register is reviewed routinely at full Council and Finance & Staffing Committee meetings and that a consolidated annual review took place in May 2022.

We have examined the year's insurance schedule provided through the brokers BHIB underwritten by Avia and which runs till 24<sup>th</sup> October 2023. We note that cover includes:

- Property, contents and equipment cover;
- Employer's liability £10m;
- Public Liability £10m; and
- Fidelity guarantee cover of £500,000.

We note regular safety checks are conducted by the Council on its play equipment supplemented by an annual inspection conducted by ROSPA and that these checks are reported to Members.

## **Conclusions**

*There are no matters arising from our work to date. We will review the annual risk assessment at our final visit/review.*

## **Budgetary Control & Reserves**

In considering the Council's approach to budget determination and precept setting, we aim to ensure that decisions are made based on sound information and that an appropriate level of precept is determined to meet the Council's future planned expenditure.

We note that balance sheets and income and expenditure reports are provided regularly to Members to facilitate in year monitoring of the budget. The Council has also approved a Reserves Policy.

The Council determined its 2023/24 budget and precept at its meeting in January 2023 following initial consideration by the Finance and Staffing Committee. Discussions took account of the tax base and details of the budget are placed on the Council's website.

## **Conclusions**

*No issues arise in this area currently. We shall undertake further work at our final visit, examining the final year-end budget outturn and seeking explanations for any significant variances that may arise. We shall consider also the appropriateness of the level of retained reserves.*

## **Review of Income**

In examining the Council's sources of income, we aim to establish that robust procedures are in place to ensure that income due to the Council is identified and invoiced accordingly (where appropriate); that arrangements for the secure handling of any cash income are in place and that income due to the Council is recovered within a reasonable time span.

Income currently arises from the annual precept, Section 106 moneys, burials and associated fees, the café's Base and Turnover rent, football / other park permits, allotments, bank interest and other miscellaneous sources. We have reviewed the latest budget information and selected the following areas for testing, specifically we:

- Agreed the precept receipted into the accounts for 2022/23 to the amount set and approved in the minutes;
- Confirmed the Council continues to keep its fees and charges under review;
- Agreed Section 106 grants received in the year to date of £112,759.57 to the remittance advice from Buckinghamshire Council;
- Tested one burial, (from ten recorded in the Burial Register in the financial year to date), agreeing the fee charged to the published schedule of fees and agreeing the income

arising to the Rialtas Ledger. The Clerk provided also a copy of the relevant burial certificate; and

- Reviewed the unpaid invoices report on the Council's sales ledger.

### **Conclusions**

*No issues arise from our testing in this area. At our final review we will compare income year on year and enquire of any additional income sources should they arise.*

## **Petty Cash Account**

We are required, as part of the Internal Audit Certificate in the AGAR to assess the controls over any petty cash accounts operated by the Council, or to note in the AGAR there are no such accounts maintained.

### **Conclusion**

*We note the Council no longer operates petty cash accounts with occasional expenses being paid with the main payment run.*

## **Review of Staff Salaries**

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme in relation to employee contribution percentages.

We note that the Council uses an external agent to prepare the monthly payroll and provide the Council with payslips and other relevant documentation to support the necessary payments to be made to staff, HMRC (tax and NI) and the Local Government Pension Fund Administrators. The Council has recently changed provider with DCK being appointed. We note Members of Finance and Staffing Committee approve payroll payments after they have been checked by the Clerk.

At this interim stage we have reviewed payroll costs in November 2022, as a sample, specifically we:

- For one officer agreed their pay to their contract of employment
- Reviewed the calculation of backpay due, arising from the national pay award;
- Tested the calculation of tax, national insurance and pension contributions;
- Agreed the payroll costs from the payslips to the amounts paid per the Rialtas cash book in respect of the staff net pay, HMRC and the Pension Administrator; and
- Commenced a trend analysis, month on month, of cash book payroll costs to ensure no material anomalies arise.

### ***Conclusions***

***No matters have arisen from our work to date in this area. We will extend our trend analysis at our final year-end review.***

## **Investments and Loans**

As indicated earlier in this report the Council operates three bank accounts with Barclays and Unity Trust with a combined balance as at 31<sup>st</sup> December 2022 of approximately £368,528. We understand the Council is planning to move some funds to the Nationwide. Further we note the Council has adopted an investment strategy.

We have tested the repayment of Council loans to demands issued by the PWLB as part of our payment testing.

### ***Conclusions***

***There are not matters arising from our work to date.***

***At our final visit/review, we will agree the balance on loans and investments to third party statements confirming they are included correctly in the AGAR.***