

# **Aston Clinton Parish Council**

***Internal Audit Report 2021-22 (Final)***

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## **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 review of the Council for 2021-22, which took place on 20<sup>th</sup> December 2021 and 27<sup>th</sup> April 2022. We wish to thank the Clerk for providing all the records in electronic format to facilitate our work.

## **Internal Audit Approach**

In undertaking our review for 2021-22 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, 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 made one recommendation to strengthen control. We have duly signed the Internal Audit section of the 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 also aim 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 Alpha software with support from the software supplier as and when required. Two bank accounts are in operation with Barclays (Current & Tracker). We have:

- Ensured the accurate carry forward of the prior year, 2020/21, closing balances to the current year's accounting records;
- Confirmed the External Auditor raised no issues on the 2020/21 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 interim and final review, specifically that the trial balance agreed and was balanced to the nominal ledger;
- Discussed controls over the processing of any journals, manual adjustments to the accounts, which we understand are rare but where they do occur are reported to a Council meeting with paper copies retained on file;
- Discussed arrangements for backing up the Rialtas system, which we understand is done daily to a cloud with the Council's IT support company doing a further thrice daily back up to their server;
- For the main Cash Book recording the Current Account we have agreed all the entries on the bank statements for September, October and November 2021 and March 2022 (as a sample) to the Cash Book and agreed the reconciliation at 30<sup>th</sup> November 2021 and 31<sup>st</sup> March 2022; and
- For Cash Book two which records the transactions on the Tracker Account we agreed the reconciliation at 30<sup>th</sup> November 2021 and agreed the interest credited to the cash book in September to the bank statements. We further agreed the reconciliation at 31<sup>st</sup> March 2022 and the interest credited to the account in March.

### Conclusions

***The accounts are in balance. We note from the minutes that bank reconciliations are reported regularly to Finance and Staffing Committee with a nominated Member taking responsibility for checking them. There were no long-standing unrepresented cheques or other adjustments on the reconciliations.***

***We agreed the balances to the accounts ensuring they are correctly reported in the AGAR.***

***We note the Council discussed in March 2022 setting up new bank accounts, but this will be actioned in 2022/23.***

## 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 (SOs) and that, as far as we may reasonably be expected to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

To meet that objective, we have:

- Noted that both Standing Orders and Financial Regulations were reviewed and re-adopted at the Annual Council Meeting held in May 2021, following detailed review of Financial Regulations at the Finance and Staffing Committee. Further at the same Annual Meeting the Council considered its other policies and procedures. We note from our review of minutes that Standing Orders were considered at the Council meeting in February 2022;
- Completed our review of Council and standing committee minutes, excluding those related to Planning issues, for the financial year reading those 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;
- Confirmed the Council advertised the external audit of its 2020/21 accounts by posting the notice of public rights on its website; and
- Reviewed the data on the Council website for compliance with the Transparency Code.

### Conclusions

*The Council has governance arrangements in place and there are no matters requiring formal recommendation.*

*The Transparency Code requires Councils to publish specified data on its website including detail of payments over £500, included within this Council's minutes, details of land held, included in the asset register on Aston Clinton's website and detail of contracts let. The Council may need to consider if it has published detail of all contracts on its website.*

## 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 a Member. We note that earlier in the year due to staff changes and system changes the Buckinghamshire Council made a number of payments on behalf of the Parish Council, but that invoices were provided to Parish Council members who approved the reimbursement of the Unitary.

We have selected an audit sample comprising 36 individual payments processed in the financial year to 31<sup>st</sup> March 2022. Our test sample includes all payments individually in excess of £2,000, plus a more random selection of every 30<sup>th</sup> payment as listed in the cashbook to date and totals £88,599 equating to 65% of non-pay related payments in the year. All invoices were provided for our review.

We note the Council has been working through the snagging list on the Community Centre during the year.

We have agreed the receipt of VAT due at 31<sup>st</sup> March 2021 into the accounts and sample checked the monthly VAT claims in 2021/22 confirming VAT is being recovered. We note the Council moved to quarterly VAT reclaims from 1<sup>st</sup> January 2022.

### **Conclusion**

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

## **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 March 2021. During 2021/22 the Council and Finance and Staffing Committee considered risks for example in relation to investments. The Clerk has recently up-dated the risk assessment, which continues to include a range of financial risks, analysing them and detailing controls. This is due to be considered at the Council meeting in May 2022.

We have examined the year's insurance schedule with Hiscox and note that cover includes:

- Property, contents and equipment cover;
- Business interruption cover of £25,000;
- Employer's liability £10m;
- Public Liability £10m; and
- Fidelity guarantee cover of £300,000.

We note that regular evidenced safety inspections are performed on the Council's play and recreational equipment, supplemented by an annual independent safety check and that these checks are reported to Members.

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

***We note the insurance policy provides fidelity guarantee cover of £300,000. At the time of our interim review cash balances totalled £432,000. As a matter of good practice, the Council may wish to consider increasing its insurance cover in line with cash holdings.***

***The Council has arrangements for managing risk but has not formally adopted its annual risk assessment in 2021/22.***

***R1 The Council should adopt an up-dated overall assessment of risk. This should be done annually.***

## **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 regular budget monitoring reports are provided to Members along with detailed financial information in key areas, for example relating to the Community Centre and the provision of balance sheets analysing earmarked reserves.

After consideration by the Finance and Staffing Committee, Full Council set the 2022/23 budget and precept at the meeting in December 2021. The Clerk provided detailed reports via excel spreadsheets to support the decision making process. The spreadsheets provided a detailed analysis of income and expenditure covering the prior year, current year (2021/22) and coming year 2022/23. Members agreed adjustments to the budget and the level of funding to be drawn from balances.

At the year end the Council had earmarked reserves of £31,133 and a general reserve of £205,315. Spending in 2021/22 was £402,719. The general reserve represents some 6 months spending and is within the normal range for a parish council.

We reviewed income and expenditure for the full year comparing to prior years, noting the large variances compared to the prior year due to the spending on the community centre and related Section 106 income.

### ***Conclusion***

***No issues arise in this area based on our work completed.***

## **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 2021/22 to the amount set and approved in the minutes and to the list of precepts published by the Government;
- Confirmed the Council continues to keep its fees and charges under review;
- Agreed Section 106 grants received in the year to date of £46,633 to remittance advices from Buckinghamshire Council;
- Tested a donation of £1,500 received in August 2021 to supporting paperwork;
- Inspected the supporting paperwork for two burials recorded in the Burial Register confirming certificates of cremation/burial were held and that the fee charged agreed to the published scale of rates and the income was recorded in Rialtas; and
- Reviewed the receipt of the café rent in 2021/22, noting the tenant is now paying quarterly rather than a year in arrears which has resulted in a higher level of income showing in the year of audit.

### **Conclusion**

*No issues arise from our testing in this area.*

## **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 LG Pension Fund Administrators. Members approve payroll payments after they have been checked by the Clerk.

We have reviewed payroll costs in August and September 2021, as a sample, specifically we:

- Agreed staff pay as recorded on payslips to their contracts of employment and tested hours claimed to their timesheet records;
- Tested the calculation of tax, national insurance and pension contributions; and
- Agreed the payroll costs from the payslips to the amounts paid per the Rialtas cash book to the staff, HMRC and the Pension Administrator.

We completed a trend analysis, month on month of cash book payroll costs to ensure no material anomalies arise. We discussed with the Clerk the large superannuation payment in January 2022 which we understand reflected an adjustment for a staff member, we note the matter was recorded in the minutes.

### **Conclusions**

*We noted the calculation of employee's pension contributions in September was not at the correct rate, further that tax was calculated without providing tax relief on pension contributions in line with the Local government Pension Scheme approach. We understand these matters were resolved in December and arose from confusion at the payroll provider.*

## **Fixed Asset Registers**

The Governance and Accountability Manual requires all Councils to maintain a record of all assets owned. We have checked and agreed the total on the Council's Asset Register to the amount recorded in the AGAR. We note the asset register records assets by category and values them at cost excluding VAT. There were no material movements in the reported value of assets compared to last year, but we test checked additions between the Rialtas Ledger expenditure, the minutes and additions shown in the asset register.

### **Conclusion**

*The Council is maintaining its asset register.*

## **Investments and Loans**

As indicated earlier in this report the Council operates two bank accounts with Barclays with a combined balance as at 31<sup>st</sup> March 2022 of £236,687.

Central Government legislation changed with effect from 1<sup>st</sup> April 2018 subsequently requiring all councils with balances in excess of £100,000 to develop an appropriate Investment Policy / Strategy (this previously only applied to councils with funds in excess of £500,000). We note the Council approved an Investment Strategy in January 2022 and plans to set up bank new accounts.

We have sample tested the repayment of Council loans to demands issued by the PWLB as part of our payment testing. We note the clearance of one loan during the year with a payment of £136,521 in January 2022. We agreed the remaining balance due to the PWLB at 31<sup>st</sup> March 2022 to the Government Debt Management Office website.

### ***Conclusions***

*No issues arise from our work in this area.*

*We have agreed the balances to third party statements confirming they are included correctly in the AGAR.*

## **Statements of Account and Annual Governance and Accountability Return (AGAR)**

The AGAR section 2 provides the Council's statutory Statements of Account subject to external audit review.

We have reviewed the detail therein from the underlying Rialtas Alpha software and other documentation provided and are pleased to note there were no issues identified and we have verified the data provided for transposition into the AGAR at Section 2. Specifically, we reviewed year end debtors and creditors and completed other tests as detailed in previous sections of this report.

### ***Conclusions***

*There are no issues arising in this area to warrant formal comment or recommendation.*

*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.	Recommendation	Response
<b>Assessment and Management of Risk</b>		
R1	The Council should adopt an up-dated overall assessment of risk. This should be done annually.	