

# **Aston Clinton Parish Council**

*Internal Audit Report 2022-23 (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 interim review of the Council for 2022-23, which took place on 14<sup>th</sup> February and our final review on 4<sup>th</sup> May 2023. We wish to thank the Clerk for providing all the records in electronic format to facilitate our work.

## **Internal Audit Approach**

In completing 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, 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 have signed the Internal Audit section of the AGAR assigning positive assurance against the control objectives.

We request that this report is presented to Members and that the Council confirms when this has been 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. 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 two reviews, 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 and 31<sup>st</sup> December 2022 and 28<sup>th</sup> February and 31<sup>st</sup> March 2023 to the bank and agreed the movements in December and March between the bank statements and the cash book including the transfers to cash book four;
- For Cash book two, recording the Barclays Tracker account, we agreed the balance per the bank statement at 31<sup>st</sup> December 2022 and 31<sup>st</sup> March 2023 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 and 31<sup>st</sup> December 2022 and 28<sup>th</sup> February and 31<sup>st</sup> March 2023 to the cash book balance and then agreed all the movements in the cash book for December and March to the bank statements.

### *Conclusions*

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

*We agreed the balances in the accounts to the amounts reported in the draft 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;
- Completed 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 posting a schedule onto its website, (up to January 31<sup>st</sup> at the time of our review); 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. 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;
- 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 49 individual payments processed in the financial year to 31<sup>st</sup> March 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 £244,766 equating to 49% of non-pay related payments in the financial year. All invoices were provided for our review.

We note the Council paid the final retention monies on the Community Centre during the financial year.

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 inspected the payment invoices as part of our sample noted above.

We have agreed the receipt of VAT due at 31<sup>st</sup> March 2022 into the accounts and sample checked the first three 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.***

## **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 note from the Agenda papers it was reviewed again in April 2023. It identifies the risks, assesses them and details mitigating actions. There is a tab detailing a suitable range of financial risks and other tabs detailing other operational risks.

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 in this area. The Council has arrangements for managing risk.*

## **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.

We reviewed income and expenditure for the full year, 2022/23, noting explanations for variances which reflected changes in staffing and receipt of Section 106 grant and spending on capital schemes such as the works at the play areas.

We reviewed year end balances. At the 31<sup>st</sup> March 2023 reserves and balances per the AGAR and Rialtas were £285,435 including a general balance of £164,302. Spending in the year totalled £439,350 or £36,613 a month. The general balance equates to 4.5 months spend at 2022/23 levels and is within the normally expected range for a parish council.

### *Conclusions*

*No issues arise in this area. The Council has arrangements for managing its finances.*

## **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 reviewed 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 and to the list of precepts published independently by the Government;
- Confirmed the Council continues to keep its fees and charges under review;

- Agreed Section 106 grants received in the year of £158,447.83 to the remittance advices from Buckinghamshire Council;
- Tested one burial, (from ten recorded in the Burial Register in the financial year to the date of our interim review), 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 noting there were no material aged debtors.

### ***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 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.

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; and

- 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.

At our final review we completed our trend analysis, month on month, of cash book payroll costs to ensure there were no material anomalies.

### ***Conclusion***

*No matters have arisen from our work in this area.*

## **Fixed Asset Registers**

The Governance and Accountability Manual requires all Councils to maintain a record of all assets owned. We have checked and materially agreed the total on the Council's Asset Register to the amount recorded in the AGAR, (noting the Asset Register records assets as £3,100,683.54 whereas the AGAR reports £3,101,484. We note the Asset Register records assets by category and values them at cost excluding VAT. We compared the additions recorded in the year in the Asset Register to capital payments in Rialtas noting the addition of play park equipment.

### ***Conclusion***

*The Council is maintaining its asset register. There are no matters arising requiring formal comment or recommendation, although Officers should clarify the apparent non-material difference comparing the Asset Register to the AGAR.*

## **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> March 2023 of £316,919 We understand the Council is planning to move some funds to the Nationwide, the Clerk advises us the application is being processed still by the Building Society and the funds had not been moved at 31<sup>st</sup> March 2023. 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. At the year end we agreed the balance in the Rialtas accounts to the balance reported by the Government's Debt Management Office and to the PWLB notification.

### ***Conclusions***

*There are not matters arising from our work requiring formal comment or recommendation.*

## **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 software and other documentation provided and are pleased to note there were no material 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.

When reviewing Rialtas we noted on the Bank and Cash Reconciliation the system did not appear to be picking cash book four, although the amount reported in the AGAR is correct.

### ***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.***