

Aston Clinton Parish Council

Internal Audit Report 2021-22 (Interim)

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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 2021-22, which took place on 20th December 2021. Due to the impact of the Covid-19 pandemic this review has been conducted remotely. 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 2021/22 Accounts are closed down.

Internal Audit Approach

In commencing 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 eleven 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 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). At this interim review 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 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 (as a sample) to the Cash Book and agreed the reconciliation at 30th November 2021; and
- For Cash Book two which records the transactions on the Tracker Account we agreed the reconciliation at 30th November 2021 and agreed the interest credited to the cash book in September to the bank statements.

Conclusions

The accounts are in balance and 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.

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, 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;
- 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; and
- Confirmed the Council advertised the external audit of its 2020/21 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 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 25 individual payments processed in the financial year to 30th November 2021. Our test sample includes all payments individually in excess of £1,750, plus a more random selection of every 20th payment as listed in the cashbook to date and totals £82,638 equating to 69% of non-pay related payments in the year so far. All invoices were provided for our review.

We note the Council is working through the snagging list on the Community Centre.

We have agreed the receipt of VAT due at 31st March 2021 into the accounts and sample checked the monthly VAT claims in 2021/22 confirming VAT is being recovered. We note the Council plans to move to quarterly VAT reclaims.

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 March 2021.

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

We will review the annual risk assessment at our final visit.

We note the insurance policy provides fidelity guarantee cover of £300,000. At the time of our 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.

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.

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 also consider the appropriateness of the level of retained reserves in the General Reserve and any Earmarked Reserves and residual S.106 funds available. We will look also at the outcome of the 2022/23 budget setting process.

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;
- 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; and
- 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.

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

At this interim stage 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;
- Agreed the payroll costs from the payslips to the amounts paid per the Rialtas cash book to the staff, 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

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 have been resolved in December and arose from confusion at the payroll provider.

Investments and Loans

As indicated earlier in this report the Council operates two bank accounts with Barclays with a combined balance as at 30th November 2021 of approximately £432,000.

Central Government legislation changed with effect from 1st 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 that previously the Finance & Staffing Committee agreed to wait until after the Community Centre Project spend was completed and then look at developing a strategy.

The government “Bail out” scheme, should a bank fail, may result in the Council only receiving £85,000 in compensation. Whilst we consider it unlikely that Barclays will “fail”, we consider that the Council should consider diversifying the placement of surplus funds, although we acknowledge that the Community Centre development has significantly impacted on the flow of funds held in recent years.

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

Conclusions

The Council should ensure that surplus funds are appropriately “invested” to maximise interest earning potential, whilst ensuring, as far as they reasonably can, that public funds are securely placed and risk of loss is minimised. We understand from our review of the minutes that the Council is developing an investment strategy.

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.