
Buckhurst Hill Parish Council

Internal Audit Report 2022-23 (Final)

Chris Hackett

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 in relation to our interim and final reviews of the Council's financial control arrangements for the 2022-23 financial year which took place on the 14th November 2022 and 17th May 2023 together with our preparatory work. We wish to thank the Officers for providing all the requested information.

Internal Audit Approach

In completing our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/AGAR. Our programme of cover has been designed to afford 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 on specified internal control objectives.

Overall Conclusion

We have concluded that, based on the work undertaken this year, the Council continues to maintain adequate and effective internal control arrangements. 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 acknowledges receipt.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council uses the Rialtas software to maintain its accounting records, keeping four cash books. Specifically, one for each of the Current and Business Reserve bank accounts in place with NatWest and a Deposit account at Close Brothers and the recently opened Unity Bank cash book.

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. We have consequently:

- Confirmed the External Auditor raised no matters on the prior year accounts;
- Agreed the opening 2022/23 trial balance detail in the Rialtas financial software with the closing detail contained in the 2021/22 Statement of Accounts and AGAR;
- Ensured that the Rialtas financial ledger remained “in balance” at the date of our two reviews by running a data check on the system to ensure the trial balance agreed to the nominal ledger;
- Ensured that the cost centre and nominal ledger income and expenditure coding structure remains appropriate for purpose;
- Discussed arrangements for backing up the Council’s IT systems which we understand is done weekly to a tape by the Council’s IT provider which is kept off site;
- For Cash Book one, recording the Natwest current account, as a sample we agreed the reconciliation at 31st August and 30th September 2022 and 28th February and 31st March 2023 and agreed the transactions in September and March between the bank statements and the cash book;
- For cash book two, recording entries on the new Unity account, we agreed the reconciliation at 28th February and 31st March 2023 and agreed all the movements in March between the bank statement and the cashbook. We agreed further the transfers in January and February into the account between the bank and the cash book;
- For Cash Book three, the Close Brothers account, we agreed the reconciliation at 30th September 2022, 1st January and 31st March 2023 between the bank statements and the cash book. We further agreed the interest paid into the account in January between the cash book and the bank; and
- For Cash Book four, the Natwest reserve account, we checked the reconciliation at 31st August and 30th September 2022 and 31st March 2023 and agreed the interest income for September 2022 and March 2023 as recorded in the cash book to the bank statement.

Conclusions

We are pleased to report that no issues have been identified in this area of our review process. The accounts are being reconciled regularly with reconciliations being provided to the Finance and Establishment Committee with no ‘out of date’ cheques or other anomalous adjusting items being shown in the reconciliations.

We have agreed the disclosure of the combined bank balances in the year end Accounts and AGAR.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance documentation and procedures in place and that Council and Committee meetings are conducted in accordance with the adopted Standing Orders. Consequently, we have:

- Completed our review of the Council's minutes, examining those for the Full Council and the relevant Standing Committee meetings (with the exception of those relating to Planning issues) as posted on the Council's website for the financial year with a view to identifying whether or not any issues exist that may have an adverse effect on the Council's future financial stability, both in the short and or longer term;
- Noted the Council reviewed its financial regulations and re-approved them in March 2023;
- Confirmed the Council posts detail of larger payments on its website; and
- Confirmed the Council advertised its 2021/22 accounts for public inspection by posting the 'Notice of Public Rights' on its website.

Conclusion

We are pleased to report that no issues have been identified in this review area.

Review of Expenditure

Our aim here is to ensure that:

- Council resources are released in accordance with the Council's approved procedures and approved 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, where no other form of invoice is available;
- That members are provided with, and approve, the regular schedules of payments made;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We discussed with the officers the processes for approving and paying trade invoices. To gain assurance in this area we tested an audit sample of 43 payments from the main cash books plus the

Non-Domestic Rate payments. We looked at all payments over £1,500 for the period to 31st October and payments over £2,000 for the remainder of the year. Further, we selected every twentieth payment across the year to ensure a degree of randomness to our overall sample. Our sample totalled £114,601 representing 63% of all non-payroll expenditure for the year. All items in our sample were supported by invoices which were scanned over to us by the Responsible Financial Officer.

We confirmed the VAT debtor due from HMRC at 31st March 2022 was reclaimed in the current year and we confirmed that quarterly VAT reclaims continue to be prepared and submitted with funds recovered in to the accounts.

Conclusion

No issues arise in this area, based on our work payments are supported by suitable documentation.

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 consequently:

- Reviewed the Council's risk assessment which was approved by Council in November 2022 after initial consideration by the Finance and Establishment Committee. We note the Council uses the LCRS software to record its assessment of risk and that suitable consideration is given to financial risks;
- Examined the Council's insurance schedule provided by Zurich Municipal which covered the period to 31st March 2023 noting that it includes:
 - Buildings insurance
 - Business interruption insurance including loss of revenue
 - Public liability insurance £15m
 - Hirer's liability £2m
 - Employer's liability £10m
 - Fidelity guarantee £1m; and
- Noted that play areas are subject to an annual independent safety inspection.

Conclusions

We are pleased to report that no issues arise in this area.

Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure.

We note that regular financial reports are provided to members during the year to facilitate budget monitoring.

We reviewed income and expenditure for the full year comparing to prior years and sought explanations for variances.

At the 31st March 2023 the Council's reserves totalled £963,840 including a general reserve of £171,882 and earmarked reserves of £791,958. Spending in 2022/23 was £378,646 or £31,554 a month. The general reserve represents some 5.5 months spending and is within the normal range for a parish council.

The Council agreed its 2023/24 budget and precept at the meeting in November 2022. Consideration was given to reserves, the Council setting the precept at £353,337. Members were provided with supporting information to inform their decision including an analysis of income and expenditure at service level and the impact on the precept.

Conclusion

The Council has arrangements for managing its finances.

Review of Income

The Council's principal sources of income, other than the precept, continue to be the community use lettings at the Woollard Centre and Roding Valley Hall, supplemented by occasional newsletter proceeds, sundry grants and periodic VAT recoveries.

Our objective is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span. We have:

- Confirmed the Council keeps its fees and charges up to date through a periodic review;
- Agreed the precept as recorded in the accounts to the listing of 2022/23 parish precepts published by the Government;
- Obtained the Halls letting diary for August 2022 and selected six bookings for testing. Specifically, we confirmed the usage was invoiced at the correct rate per the published

schedule of charges and that the income was recorded in the Rialtas Ledger. We confirmed also that a hire agreement was held on file for each letting tested; and

- Obtained the remittance advice in respect of a grant received from the Lottery fund for £9,020 to confirm the correct income was brought to account.

Conclusions

There are no matters from our work completed in this area.

We understand from discussion with officers that now, as part of the terms and conditions of hire, the Council asks for copies of insurance policies where relevant.

Petty Cash Account

We are required as part of the AGAR certification process to confirm arrangements with regard to petty cash. We note the Council does not operate a petty cash account, any “out-of-pocket” expenses incurred by officers or members are reimbursed through the normal suppliers’ payments procedures.

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 requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with the current LGPS contribution bandings.

Payroll is calculated by a bureau, James Todd and Co, with the BACS payments being processed by Moorepay. Council officers check the calculation each month and notify Moorepay to make the payment. To meet our audit objectives, we have examined the August 2022 payroll documentation as a sample: Specifically, we:

- Obtained the payslips and summary payroll report and agreed the totals to the amount recorded in the Rialtas Ledger cash book;
- Test checked the pay for a new member of staff to their job offer letter;
- Tested the calculation of tax and national insurance contributions; and
- Tested the calculation of pension deductions by reference to the national scale of employee contributions and the rate set to be paid by the Council as an employer as posted on the Essex Pension Fund website.

Further we completed our monthly trend analysis of payroll costs for the year and made comparison to spend in the prior year.

Conclusion

Based on our work there are no matters arising from this area of our review.

Asset Registers

The Accounts and Audit Regulations 1996 (as amended periodically) require that all Councils establish and maintain inventories/asset registers of buildings, land, plant and equipment, etc. owned by them.

This Council is maintaining its Asset Register which identifies assets by category, eg buildings, land and equipment etc. It shows also the insurance values for information purposes, with the cost of the assets being used to report fixed assets in the AGAR at line 9. We note there were no large movements in the Asset Register this year and we confirmed this was consistent with the Rialtas Ledger which showed no large purchase of acquisitions.

Conclusions

The Council is maintaining its asset register and we have agreed it to the AGAR.

Investments and Loans

Our objectives here are to ensure that the Council is investing “surplus funds”, be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

As noted previously we agreed the investment balances reported in the accounts to the Close Brothers statement at 30th September 2022 and 31st March 2023. Further we agreed the balance on deposit at the Natwest Reserve account. We test checked the receipt of interest.

We note the Council is reviewing its Investment Policy.

We have also checked and agreed the half yearly instalment repayments on the Council’s existing PWLB loan to the third party “demand” notices as part of our above expenditure review. At the year end we agreed the loan balance reported in the AGAR to the information on the Government’s Debt Management Office website.

Conclusions

There are no matters arising in this area requiring formal recommendation. We note the Council has a substantial amount of money in the Natwest Bank and may wish to consider diversifying its holdings to minimise the risk should there ever be problems in the banking sector.

Statement of Accounts / AGAR

We have reviewed the year end accounts and draft AGAR tracing them back to the detailed working papers provided by the Council's Responsible Finance Officer confirming they are completed as required on an income and expenditure basis.

Conclusions

No issues arise in this area. We have duly signed off the Internal Audit Certificate in the year's AGAR providing a copy for the Responsible Financial Officer's necessary further action.

We also take this opportunity to remind the Responsible Financial Officer 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.