

Chichester City Council

Internal Audit – Annual Report

2023-2024

## 1. Introduction

- 1.1. At the request of the City Council's Responsible Financial Officer (RFO) an audit of the Chichester City Council main systems was undertaken for the year ending 31<sup>st</sup> March 2024.

## 2. Background & Significance

- 2.1. Regulation 5 of the Accounts and Audit Regulations 2015 sets out the requirements for local authorities to maintain an adequate and effective system of Internal Audit of their accounting records and control systems. A key element for effective internal audit is its independence for the financial management function of the council.

## 3. Objectives & Scope

- 3.1. To ensure that the City Council has suitable controls in place to ensure the accurate recording of income and expenditure, and the proper operation of those controls.
- 3.2. In addition, to ensure that the City Council operated an effective budgetary control system.
- 3.3. Internal Audit should satisfy the Internal Controls that are detailed in the Annual Governance and Accountability return as listed below:
  - Appropriate Accounting Records
  - All expenditure is approved, supported by invoices, VAT accounted for
  - Risks assessed and reviewed
  - Precept resulted from adequate budgetary process
  - Income promptly banked and VAT appropriately accounted for
  - Salaries properly applied
  - Asset and Investment registers were complete
  - Reconciliations properly carried out
  - Accounting statements, agree to the cash book, supported by an audit trail and debtors and creditors

- Governance Arrangements are present

3.4. In order to achieve the objectives, the following tests were conducted:

- A sample of payments were verified against official orders, prior approval and council minutes, authorised signatories and accounting records.
- A sample of income records were verified to invoices and / or official receipts, bank statements and accounting records.
- A sample of petty cash disbursements were verified against prior approval and accounting records (including the correct treatment and coding of VAT).
- A review was carried out of the quarterly VAT returns, and agreement to supporting documentation and accounting records.
- A sample of salaries and wages payments were checked to scales of pay, authorised timesheets, up to date pay rates and accounting records.
- A review was conducted of the budgetary control process and regular monitoring and reporting variances.
- A review of the regular completion of bank reconciliations throughout the 2023-2024 financial year.
- A review of the year-end procedures and accounts.
- A review of the Governance Arrangements.

<b>Internal Control</b>	<b>Findings</b>
Appropriate Financial Records are maintained	Budgetary control is reported to Finance Committee every meeting under the heading of budget monitoring. Information is held on the finance package (Omega). If any Officer or Councillor requests further financial information an ad hoc report would be run.
Standing Orders and Financial Regulations, Payment Controls are complied with	<p>Reference is made in Standing Orders Section 29 Financial matters about Public Contracts Regulations 2015 with an estimated value in excess of £25k shall be procured as specified in Financial Regulations. No other figures are quoted in Standing Orders. Quotes in item 13 Expenditure it mentions that the Councils Financial Regulations should be reviewed once a year. The footnote on Standing Orders states that it was reviewed in September 2020 and amended in May 2023. From discussions held it is proposed to review them again in April 2024. The City Council hold a copy of Financial Regulations and Standing Orders, which have been updated and will be reported to Full Council in June. They detail the processes and procedure which need to be followed. Following the update, Contracts up to £1,000 can be authorised by the Finance Manager. From £1,000 to £5,000 the Town Clerk authorises in consultation with the Chairman and the Vice Chairman.</p> <p>Three quotes are obtained for all contracts. Estimates that exceed £5,000 three estimates or written quotations are obtained. Where the contract exceeds £10,000 at least three written tenders are obtained.</p>
Risk management Arrangements are maintained and reviewed on a regular basis	A risk management report is produced annually and reported to Finance Committee. The Finance Committee have reviewed that Risk Management Schedule minute 84 this was detailed in the 27 <sup>th</sup> January 2024 Finance Committee Report. The report was ratified in the Full Council Minutes on the 28 <sup>th</sup> February 2024 but not with a

	specific recommendation to Full Council. An annual review is undertaken by the Finance Assistant.
Budgetary Control	Budgets and expenditure are monitored on a quarterly basis or when a query arises to Finance Committee. All budgets and expenditure are reported on a quarterly basis. Virements are reported quarterly to Committee. Should the need arise the Chairman will be emailed in between the quarterly meeting, to support officer action, should the need occur. There have been no virements so for the year being audited.
Income Controls	Card payments are taken principally by the Front of House Supervisor, but there are occasions where other staff can take payments via the square pay website. Cheques and cash are rarely received. BACS payments are also received but the majority of income is received by card payments. Allotment rents are now primarily paid by BACS, the invoices which are sent out have all the necessary bank details to enable this to be done. However, there will be occasions where cash and cheque payments will be made. Followed through entries on the bank statement then onto the Finance package (Rialtas Suite) and then on to the reconciliation statement with accompanying documentation as proof of purchase. All reconciliations are reported to Finance Committee throughout the year. The City Council does use a debit card but has two credit cards which are held by the Town Clerk and the Deputy Town Clerk for the same account. Both staff keep the credit cards on their person, rather in a locked receptacle. The credit limit on the card is £6,500 and each member of staff can spend up to £3,250. The monthly spend for the Town Clerk for December was £416.00 and the Deputy Town Clerk was £913.40.
Petty Cash Procedures	Petty cash procedures are held electronically. The float has been reduced to £30.00. As petty cash is rarely used, any claims that have been made are authorised and payments are made by BACS direct into the individuals bank account. A check of petty cash on the 24th March 2024 revealed that Petty Cash was complete with a float of £30.00.
VAT Returns	An end date of VAT assessment period report is produced quarterly which details the Net VAT that is due to be reclaimed/paid from/to HMRC. This is automatically submitted to HMRC (VAT on-line) via the accounts package Omega. The Finance Manager reconciles the balance with the Finance System (Rialtas Suite) then submits the return on-line.

Payroll Controls	<p>The Payroll function has been outsourced to WSCC but the preparation is undertaken by the Finance Manager and Deputy Town Clerk who is the contact if there any queries. Selected 4 Time &amp; Expenses sheets January 2024, which agreed to wage slip for February 2024. From the sample tested timesheets were checked for authorisation by the Town Clerk or the Deputy Town Clerk. Following a recommendation previously made stating supporting documentation needs to be available to support Custodians pay slips, testing found that this is now in place.</p>
Asset Controls	<p>The City Council holds two Asset Registers, one for accounting purposes and the other for mapping of City Council assets. The Accounting Asset Register details the Land and Buildings owned by the City Council which has been prepared by DCK Accounting Solutions who prepare the City Council final accounts.</p> <p>As detailed under the Governance and Accountability for Smaller Authorities explains that most assets should be recorded in the asset register at their actual purchase cost. If this is not known then a proxy cost value can be used. An insurance value may be applied as a proxy value but only where the original value is not known. An asset given as a gift should be recorded in the asset register at a nominal value of £1 and community Assets should be recorded in the same way.</p> <p>DCK Accounting Solutions the City Councils Financial Accountants have stated that fixed assets are valued on the basis recommended by CIPFA in accordance with asset valuation principles issued by RICS i.e. Land and Buildings included at Depreciated Replacement cost, other Assets at estimated realisable value. Community Assets are recorded at nominal value of £1, depreciation is provided on all operational buildings, but not land. BAQUS Construction and Property Consultancy have carried out a re-instatement cost assessment on the Council House and the Market House for insurance purposes. The Market House is the responsibility of Orion Developments who currently have a 87 year lease of the premises and manage the tenants. They are required to furnish the City Council with a copy of the Insurance Certificate on an annual basis. Have had sight of the Insurance cover for the period 6<sup>th</sup> December 2024 to the 6<sup>th</sup> December 2025. Civic Regalia, Furniture, Paintings Clocks and Collectables are detailed in an inventory and an entry can be found in the Asset Register. Re-valuations were undertaken in December '23 for Insurance Purposes. A sample of ten items were identified from Civic Regalia, Furniture, Paintings Clocks and Collectables were taken from the</p>

	Inventory and found to be present. A sample of ten items were also tested from the inventory held for plant and equipment held at St James' Yard. The inventory is in an electronic form and it was possible to locate the items selected. It has been suggested that a further inventory check is undertaken in October/November of each year.
Bank Reconciliations	Checked the Bank Reconciliations for the Cashbook 1 Imprest Account, Cashbook 2 Unity Trust Current Account and Credit Card Account for the month of November. Evidenced that the figures selected in Cashbook 1 and Cashbook 2 statements were present on the Finance System (Rialtas Suite) Barclaycard statement also reconciled as a bulk figure on the Finance System (Rialtas Suite evidenced the Journal which was prepared. These reconciliations are reported to the Finance Committee quarterly once reconciled.
Year-end procedures	The process of preparing year-end accounts is undertaken by DCK Accounting Solutions, the City Councils external consultants. From this the Annual Return is completed and this and supporting papers and reconciliations are sent to the External Auditors.
Governance Arrangements – Document Retention – Data Protection - Register of Members Interests	The City Council has outsourced Data Protection responsibility to a company called Satswana. I could not find any reports or documentation since the contract was let. The City Council has a Data Retention Policy revised July 2022 which is incomplete and not up to date. Retention periods are not present for all categories. Selected a sample of Declarations of Members Interests forms and found that there were varying degrees of completeness.
Conclusion	Consideration should be given to the levels of Financial controls that are currently present and making adjustments were staffing or systems change. Separation of duties is currently limited due to the small number of staff available.

Opinion: The Internal Audit opinion is based on discussions with staff the review of records and documentation and testing undertaken on the samples selected. It was felt that appropriate levels of financial controls exist at the City Council and have been operating effectively.