

Croxley Green Parish Council

Internal Audit Report 2019-20 (Interim)

Sally King

*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 system of internal control and for the conclusions to be reported each year in the Annual Return. Auditing Solutions Ltd has provided this service the Council since the outset of the “Limited assurance” audit arrangements.

This report sets out the work undertaken in relation to the 2019-20 financial year, which took place on 11th December 2019.

Internal Audit Approach

In undertaking our review for the year to date we have had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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’ as part of the Council’s Annual Governance and Accountability Return (AGAR) process, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We are pleased to conclude that, in the areas examined to date, the Council continues to have effective systems in place to help ensure that transactions are free from material misstatement and that they will be reported accurately in the Annual Return and detailed Statement of Accounts for the financial year.

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Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

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:

- Agreed the opening Omega trial balance with last year's closing detail and the certified Annual Return;
- Checked that a full and effective cost centre and nominal account code structure remains in place;
- Ensured that the accounts remained "in balance" at the present date;
- Checked and agreed all cashbook detail to bank statements for the months of July 2019 and August 2019.
- Reviewed bank reconciliations during the year to ensure their routine and accurate completion, specifically verifying the accuracy of those completed as at 31st July 2019; and 31st August 2019
- Verified a selection of expenditure on the Council debit card for 2019-20
- Examined the back-up procedures in place, which appear effective and sound.

Conclusions

We are pleased to report that no issues have been identified in this area, warranting further comment. Further work will be undertaken at or final visit.

Review of Corporate Governance

Our objective is to ensure that the Council has robust corporate governance documentation and processes in place, and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings) all meetings are conducted in accordance with the adopted Standing Orders and no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that revised Standing Orders and Financial Regulations were reviewed and adopted by the Council in February 2019 (minute ref CC1972.6/19) and they are scheduled to be reviewed again in February 2020. We have commenced the review of the Council's minutes for the current year to date identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability.

We have reviewed the external auditor's report, issued since our last visit, to confirm they are raising no matters regarding the Councils accounts and governance.

Conclusions

We are pleased to report that no issues have been identified in this area, warranting further comment. Further work will be undertaken at or final visit.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and 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 is obtained, where no other form of invoice is available;
- 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 and that submissions have been completed to the year end.

To ensure compliance with the above criteria, we have examined a sample of 31 payments processed in the financial year. Our test sample provides a broad cross section of expenditure and traders' invoices totalling £81,568 and equates to 58% of total non-pay related expenditure.

Finally, in this area, we have examined the content of VAT reclaims submitted to HMRC to date with no issues arising.

Conclusions

We are pleased to report that no issues have been identified in this area, warranting further comment. Further work will be undertaken at or final visit.

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: -

- Reviewed the external auditor's report, issued since our last visit, to confirm they are raising no matters regarding the Councils accounts and governance.
- Examined the Council's approach to risk management; we note that the Risk Assessments are undertaken using LCRS Software.
- Examined the Council's current insurance policy with Zurich Municipal covering the year to 31st May 2020 with Public Liability cover being provided at £15m and Employers Liability at £10m. The Fidelity Guarantee at £500k, may be inadequate when the Precept is received due to the amount of reserves held.
- Noted that the Council do not own any play areas or playing fields

Conclusions and recommendations

We consider that the Council has effective risk management processes in place.

R1 -Recommendation - Insurance Employee Fidelity of £500k, the council needs to be mindful this may be inadequate cover at when the precept is received in April & September.

Precept Determination and Budgetary Control

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 that might arise.

The Council has commenced consideration of the 2020-21 budgetary requirement and we shall consider the action taken and outcomes, together with the approved level of precept at a future visit.

We are pleased to note that members continue to receive regular budget monitoring reports with over/under-spends and the level of earmarked reserves the subject of regular review.

Conclusions

We have been advised that the Council are to formally consider and finalise its budget and precept requirements for 2020-21 later in the financial year. Consequently, we shall review this area further at our final visit, also examining the year's budget outturn, following up any significant variances and obtaining appropriate explanations: we shall also consider the appropriateness of retained reserves to meet the Council's ongoing revenue spending requirements and any development aspirations.

Review of Income

Normally, the Council's only sources of non-precept income are currently limited to bank interest and "Parish Pump" advertising, together with income arising from the sale of brown caddy bin bags on behalf of TRDC. Additionally, the Council may receive income in respect of a Dog Show, Croxfest, Wassail, Christmas Market and Fireworks.

Finally, we understand that income from events such as the Dog Show, Christmas Markets and Fireworks is by way of public donations by those people attending the events; the income from these events is donated to charity.

Conclusions

We are pleased to report that no issues of concern have been identified in this area warranting formal comment or recommendation.

Petty Cash Account

The Council does not operate a formal petty cash account, any “out-of-pocket” expenses incurred by the Clerk or his staff being reclaimed through the normal payment processing system.

Salaries and Wages

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 meeting the requirements of the local government pension scheme. We note that preparation of the payroll is outsourced to Numerus with the clerk reviewing and reconciling payroll detail appropriately: we also note that the payroll is subjected to post-payment approval by members. We have:

- Verified the accurate payment of the four staff members pay for the month of September 2019 per the payslips to the approved establishment lists of staff;
- Checked and agreed the payroll provider computations for income tax, NI contributions and pension contributions for all staff.
- Verified the application of accurate and appropriate pension percentage contributions in line with the revised requirements;
- Checked the resultant net payment to each employee to the payment summary; and
- Verified the timely and accurate payment of tax, NI and pension deductions and contributions to the relevant agencies.

Conclusions

We are pleased to report that no issues of concern have been identified in this area warranting formal comment or recommendation.

Investments and Loans

The Council holds no funds in long term investments nor does it have any loans either repayable by, or to it.

Conclusions

We are pleased to report that, in view of the above, there are no significant issues in this area of our review process warranting formal comment or recommendation.