

---

# **Croxley Green Parish Council**

*Internal Audit Report 2018-19 (Interim)*

---

*Adrian Shepherd-Roberts*

*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 2018-19 financial year, which took place on 19<sup>th</sup> September 2018.

## **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.

## 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 month of July 2018;
- Reviewed bank reconciliations during the year to ensure their routine and accurate completion, specifically verifying the accuracy of those completed as at 31<sup>st</sup> July 2018; and
- Examined the back-up procedures in place, which appear effective and sound.

#### *Conclusions*

*We are pleased to report that no matters of concern arise at this area of our review process warranting formal comment or recommendation. We will undertake further work at our 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 2014. These were amended to incorporate the requirements of the £25,000 tender limit. Subsequent to these amendments there have been revised NALC draft Standing Orders and Financial Regulations produced which The Council are in the process of reviewing and we have been advised, will be completed before the financial year end.

We have reviewed 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.

#### *Conclusions*

*We are pleased to report that, there are no issues to report regarding the Council minutes however Standing Orders and Financial Regulations still require review and re-adoption before the financial year end. We will undertake further work at our 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 returned in a timely manner.

We have commenced testing in this area examining a sample of 18 payments processed to date, each individually in excess of £1,500, plus a more random sample of every twentieth payment, as recorded in the cashbook. Our test sample totals £54,734 and equates to 63% of the value of non-salary related payments with no issues arising.

### *Conclusions*

*We are pleased to report that no issues of concern have been identified in this area of our review process warranting formal comment or recommendation. We will undertake further work at our 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: -

- Examined the Council's approach to risk management; we note that the Risk Assessment Report utilising the LCRS Software has been completed and approved by Council at their meeting on 26<sup>th</sup> July 2018;
- Examined the Council's current insurance policy with Zurich Municipal covering the year to 31<sup>st</sup> May 2019 with Public Liability cover being provided at £15m, Employers Liability at £10m and Fidelity Guarantee provided at £500k; we believe this level of cover is appropriate for the Council's present needs; and
- Noted that the Council do not own any play areas or playing fields.

### *Conclusions*

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

## Precept Determination and Budgetary Control

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and

formal determination of the amount of the precept placed on the Unitary Authority, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans. 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.

The Council will commence consideration of the 2019-20 budgetary requirements later this year 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 2019-20 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**

Currently, the Council's only source of non-precept income is limited to bank interest.

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 staff pay for the month of August 2018 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 using the HMRC Basic PAYE Tools software;
- 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. We will undertake further work at our final visit.***