
Croxley Green Parish Council

Internal Audit Report 2017-18 (Final Update)

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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 2017-18 financial year, which took place on 31st October 2017 and on 11th April 2018.

Internal Audit Approach

In undertaking 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 / 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 have concluded that, on the basis of the programme of work undertaken this year, the Council has again maintained adequate and effective internal control arrangements. We are again pleased to acknowledge the quality of records maintained by the Clerk and thank him for his assistance, which has ensured the smooth progress of our review process.

We have completed and signed the ‘Internal Audit Report’, having concluded that the control objectives set out in that Report have been achieved within the financial year to a standard adequate to meet the needs of the Council.

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;
- Noted that a Santander Corporate Current Account was opened on 3rd May 2017 with the balance of the Santander Business Account being transferred to this new account on 3rd August 2017; we note that the Santander Business Account has still to be closed;
- Checked and agreed all cashbook detail to bank statements for the months of May and September 2017 and for the months of February and March 2018;
- Reviewed bank reconciliations during the year to ensure their routine and accurate completion, specifically verifying the accuracy of those completed as at 31st May and 30th September 2017 and as at 31st March 2018;
- Verified a selection of expenditure on the Council debit card for the period to 31st October 2017; 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 have verified the accurate disclosure of the combined bank balances in the year's detailed Statement of Accounts and AGAR.

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 have been subsequently amended to incorporate the requirements of the £25,000 tender limit. We understand that a Council Working Party has previously been formed to discuss the future direction and workings of the Council and that it is intended to incorporate further necessary amendments to both documents when the Working Party reaches its conclusions. We have previously suggested that this be dealt with as a priority and now recommend that this issue be addressed without further delay.

We have reviewed the Council's minutes for the current year to 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 and Recommendations

We are pleased to report that, other than the recommendation that Standing Orders and Financial Regulations be reviewed and re-adopted without further delay, no issues of concern have been identified in this area of our review process warranting formal comment or recommendation.

RI. Standing Orders and Financial Regulations should be reviewed and re-adopted without further delay.

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 40 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 £110,817 and equates to 43% of the value of non-salary related payments with no issues arising.

We noted at our first visit for the year that the VAT claim for the first six months of the financial year has yet to be completed: we are pleased to report that the VAT claim for the six months to 30th September 2017 was submitted to HMR&C on 18th December 2017 and the VAT claim for the six months to 31st March 2018 was submitted to HMR&C on 5th April 2018. We have checked a random sample of entries in the Purchase Day Book to ensure the correct posting of VAT to the control account for recovery.

We are pleased to note that the Council operates a purchase order system. We have previously noted that both hard copy and electronic records have been kept of purchase orders and, after discussion with the Clerk, consider that the electronic record is sufficient.

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 have verified the accurate disclosure of the year-end VAT debtor in the AGAR.

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 28th September 2017;
- Noted that the Council previously developed a higher level Risk Management Strategy, which was approved by Council at its March 2014 meeting;
- Examined the Council's current insurance policy with Zurich Municipal covering the year to 31st May 2018 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

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; we have;

- Confirmed that the budget and precept deliberations for 2018-19 were completed satisfactorily, with a precept of £302,160 approved at the Council meeting on 21st December 2017;
- Confirmed that the budget is regularly reviewed with the Finance and Administration Committee and full Council continuing to receive regular budget performance reports throughout the year; and
- Reviewed the level of retained funds at the year-end, assessing their adequacy to meet the Council's ongoing revenue spending requirements. As at 31st March 2018, the total Reserve balance stood at £389,993 which included Earmarked Reserves at £220,254. The balance of General Reserves at £169,735 equates to over seven months revenue spending which is above the guideline of between three and six months revenue spending.

We are again pleased to note that members continue to receive regular budget monitoring reports with the level of earmarked reserves also the subject of periodic review.

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

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.

We note that, although the "Parish Pump" has been issued in the year under review, it did not include any advertising.

We also understand that the sale of caddy bags ceased in June 2017.

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 October 2017 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.

We have previously noted that in previous years, the HMRC returns were completed by the company administering the payroll and that the Clerk obtains a monthly report detailing all the deductions and payments made on behalf of the Council. We are concerned to report that these reports have still not been received by the Clerk for the months of July, August and September 2016. We further understand that, despite the Clerk telephoning and e-mailing both Watford Borough Council and Northgate (the payroll providers), the issue has not been resolved.

Conclusions

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

Asset Register

The 1996 Accounts and Audit Regulations required all councils to maintain a record of all assets owned.

We are pleased to report that the Clerk maintains a detailed asset register and that the total value of assets as shown on this register agree with the accounts prepared by DCK Beavers Ltd. We are further pleased to note that, in addition to minor additions in respect of Office Equipment, Tools and Equipment and Defibrillators, the purchase of Weston Wood has been reflected in the Asset Register.

We have ensured at our final visit that, in accord with the previously revised Practitioners' guidance in this area, the overall value disclosed in the AGAR is correctly stated, based on original purchase (or appropriate proxy) cost.

Conclusions

We are pleased to report that there are no significant issues in this area of our review process 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.

Statement of Accounts and AGAR

The Accounts and Audit Regulations 1996 (as amended periodically) required councils to prepare a formal Statement of Accounts and supplementary Supporting Notes. With effect from March 2011, the AGAR now forms the only statutory Accounts of the Council that are subject to external audit review and certification.

We have reviewed and verified the accuracy of detail contained in the above documentation by reference to the closing Trial Balance and other relevant supporting schedules as produced by DCK Beavers Ltd.

We have also examined the year-end procedures applied for identification of closing debtors, creditors, accruals and prepayments, confirming detail of the relevant balances incorporated in the year-end Balance Sheet.

Conclusions

We are pleased to report that no issues arise in this area of our review and, on the basis of the work undertaken during the course of our visits to the Council for the year, we have duly “signed off” the Internal Audit Certificate of the Annual Return assigning positive assurances in each relevant category.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	Standing Orders and Financial Regulations should be reviewed and re-adopted without further delay.	