
Croxley Green Parish Council

Internal Audit Report 2015-16 (Final update)

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Background

All town and parish councils are required by statute to make arrangements 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 2015-16 financial year, during our two visits to the Council, which took place on 8th September 2015 and on 6th June 2016.

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 has again 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 Annual Return, 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’ in the year’s Annual Return, having concluded that, in all significant respects, the control objectives set out in that Report were being achieved throughout 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;
- Checked and agreed all cashbook detail to bank statements for the months of April and July 2015 and for March 2016;
- Reviewed bank reconciliations during the year to ensure their routine and accurate completion, specifically verifying the accuracy of those completed as at 30th April and 31st July, 2015 and as at 31st March 2016;
- Examined the back-up procedures in place, which appear effective and sound; and
- Verified the accurate disclosure of year-end balances in the detailed accounts and the Annual Return

We have previously noted that the Council holds a savings account with Santander (formally Abbey National) but that the passbook had had not been brought up to date with annual interest added. A provision has been made in the accounts for this interest and we are pleased to report that, subsequent to our visit, the Clerk had rectified this situation and provided us with a copy of the updated passbook.

Conclusions

We are pleased to report that there are no apparent issues in this area of our review warranting formal comment or recommendation.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

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. In this regard we would, however, draw the Clerk and members attention to the revised EU Regulations in relation to contracting and tendering, specifically in the need to formally advertise any contractual work in excess of £25,000 in Government Contract Finder Website.

We have reviewed the Council's minutes for the 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. We also note that consideration of the adoption of the General Power of Competence has still to be undertaken.

Conclusions

We are pleased to report that there are no apparent issues in this area of our review warranting formal comment or recommendation.

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 completed our testing in this area examining a sample of 32 payments processed to date, each individually in excess of £2,000, plus a more random sample of every twenty fifth payment, as recorded in the cashbook. Our test sample totals £91,227 and equates to 60% of the value of non-salary related payments.

We are pleased to note that the VAT claims for the half year to 30th September 2015 and 31st March 2016 have been submitted to HMR&C and that the amount of the latter claim has been correctly reflected as a year end debtor in the Annual Return.

Conclusions

We are pleased to report that there are no apparent issues in this area of our review warranting formal comment or recommendation.

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;
- Noted that the Council developed a higher level Risk Management Strategy, which was approved by Council at its March 2014 meeting;

- Noted that, at their meeting held on 30th July 2015, Council adopted the risk assessment report which utilised the LCRS software; and
- Examined the Council's current (to May 2016) insurance policy with Zurich Municipal to ensure that appropriate cover is in place and consider that cover in each area is appropriate to the Council's present needs.

Conclusions

We are pleased to report that there are no apparent issues in this area of our review 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. To meet this objective we have;

- Confirmed that the budget and precept deliberations for 2016-17 were completed satisfactorily, with a precept of £284,021 plus Council Tax Support Grant of £4,277 approved at the Council meeting on 28th January 2016;
- 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 2016, the General Fund balance stood at £127,425 which equates to just over five months running costs and is at the upper end of the guidelines of between three and six months. Additionally the Council hold earmarked reserves of £178,132.

Conclusions

We are pleased to report that there are no apparent issues in this area of our review warranting formal comment or recommendation.

Review of Income

In normal circumstances, 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. We note that, in the period under review, there was also income in respect of a Barn Dance.

We further note that the only issue of the Parish Magazine in the period under review did not carry any advertising.

We have reviewed the spreadsheet prepared by the Clerk in respect of the sale of caddy bin bags for the period to 31st March 2016 and note that, following a stock check and reconciliation by the

Clerk, the sum of £930 was banked on 23rd March against an expected income held of £1,096. We have discussed this with the Clerk and are pleased to note that he has introduced a more stringent system of control.

Conclusions

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

Petty Cash Account/Use of Debit Cards

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.

We note that the Clerk also holds a debit card with a spending limit of £500.

We have checked the use of this card for September and November 2015 with no issues arising.

Conclusions

We are pleased to report that there are no apparent issues in this area of our review warranting formal comment or recommendation.

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 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 gross and net payments after deduction of tax, NI and pension contributions for each of the Council’s employees, also verifying the computations of tax, NI and superannuation deductions for August 2015 by reference to the HMRC Basic PAYE Tools software and relevant revised basis for superannuation contribution bandings, as applying from 1st April 2015; and
- We note that HMRC returns are 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.

Conclusions

We are pleased to report that there are no apparent issues in this area of our review 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 but note that the total value of assets as shown on this register differs from the total shown in the accounts prepared by DCK Beavers Ltd, this latter total being recorded in the Annual Return. The total shown in the Asset Register appears to be overstated by £2,233 but in the context of the total assets held of £282,814 we consider that this discrepancy could be considered as “de minimus”. We do suggest, however, that the Clerk rectifies this situation as soon as is possible.

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 Annual Return 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 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.

Statement of Accounts and Annual Return

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 Annual Return 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.