
Croxley Green Parish Council

Internal Audit Report 2016-17 (Interim)

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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 2016-17 financial year, during our interim visit to the Council, which took place on 4th October 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 shall extend testing in certain areas to cover the remainder of the financial year at our final audit visit, also examining and testing those additional aspects, not yet examined, but covered by the Internal Audit Certificate in the Annual Return.

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 May and June 2016;
- 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 June 2016;
- Verified the balance on the Santander Deposit Account as at 2nd June 2016;
- Verified the expenditure on the Council debit card for the months of May and June 2015; and
- Examined the back-up procedures in place, which appear effective and sound.

We have noted that the bank reconciliations for the months of May and June 2016 appear to exclude outstanding payments made in those months. We have discussed this with the Clerk who will be speaking to the software suppliers regarding the problem.

Conclusions

We are pleased to report that no matters of concern arise at this stage of our annual review process and that month-end reconciliations are being completed and prepared appropriately. We shall check further month's account transactions at our final visit, also ensuring the accuracy of the year-end balances reported in the detailed Statement of Accounts and Annual Return.

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. We understand that a Council Working Party has 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 suggest that this be dealt with as a priority.

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

No issues have been identified in this area warranting formal comment or recommendation at present. We shall continue to review minutes, together with governance issues, 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 14 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 £42,677 and equates to 61% of the value of non-salary related payments. The VAT claim for the first six months of the financial year has yet to be completed: we have to date 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.

Conclusions

We are pleased to report that no significant matters have been identified in this area. We shall extend our review of invoices for the remainder of the year at our final visit, also ensuring the timely submission of VAT reclaims and the accurate disclosure of the year-end VAT debtor in the Annual Return.

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 R7port utilising the LCRS Software has still to be completed. We remind the Clerk that this must be done by 31st March 2017.
- We noted that the Council developed a higher level Risk Management Strategy, which was approved by Council at its March 2014 meeting.
- Examined the Council's current (to 31st May 2017) 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

No issues of concern have been identified in this area warranting formal comment or recommendation at present: we shall continue to monitor the Council's approach to management of risks at future visits reporting our conclusions accordingly.

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 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

The Council has yet to formally consider and determine the budgetary and precept requirements for 2017-18 and we will, consequently, examine this aspect at our final visit, together with considering the year end outturn and level of retained reserves.

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.

We have not undertaken any work in respect of income at this visit.

Conclusions

We shall undertake further work in this area at our final visit, including the update of our year-on-year analysis of income across the various headings.

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 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 June 2016 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, normally, 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. We are concerned to report that these reports have not been received by the Clerk for the months of July, August and September. We further understand that, in spite of the Clerk telephoning and e-mailing both Watford Borough Council and Northgate (the payroll providers), the issue has not been resolved.

Conclusions

We strongly recommend that, in order to allow the Clerk to carry out his duties satisfactorily, the Council consider the appointment of alternative payroll providers.

Investments and Loans

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