

Croxley Green Parish Council

Internal Audit Report 2020-2021 (Interim)

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*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 to the Council since the outset of the “Limited assurance” audit arrangements.

This report sets out the work undertaken in relation to the 2020-21 financial year, which took place at our office in February 2021.

Internal Audit Approach

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

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. 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 August 2020.
- Reviewed a sample of bank reconciliations during the year to date, to ensure their routine and accurate completion, specifically verifying the accuracy of those completed as 30th April 2020 and 31st August 2020.
- Examined the back-up procedures in place, which appear effective and sound.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process to date warranting formal comment or recommendation; further work will be undertaken at our final audit.

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 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.

From the minutes of the meeting held on 23rd April 2020 (ref CC2096/20), we are pleased to note that the Council now has the General Power of Competence.

We note that revised Standing Orders and Financial Regulations were revised and adopted by the Council in the meeting held on 24th September 2020 (minute ref CC2132/20).

We have also 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.

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 24 payments processed in the financial year to November 2020. Our test sample provides a broad cross section of expenditure and traders' invoices totalling £41,803.40 and equates to 44% of total non-pay related expenditure.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal comment. Further work will be undertaken 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 Assessments are undertaken using LCRS Software. The Risk Register was reviewed and readopted at the meeting held on 26th November 2020 (minute ref CC2145/20).
- Examined the Council's current insurance policy with Zurich Municipal covering the year to 31st May 2021 with Public Liability cover being provided at £15m, Employers Liability at £10m and Fidelity Guarantee at £500k.
- 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.

Precept Determination and Budgetary

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.

- Confirmed that the budget and precept deliberations for 2020/21 have commenced, at the meeting held on 24th November 2020 (minute ref CC2150/20).
- 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

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. Additionally, the Council may receive income in respect of a Dog Show, Croxfest, Wassail, Christmas Market and Fireworks. Due to Covid restrictions most of the events were cancelled. A review of the remaining income streams will be undertaken at our final visit.

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.

Conclusions

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

Investments and Loans

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