
Croxley Green Parish Council

Internal Audit Report 2018-19 (Final)

Sally King

***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 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 19th September 2018 and on 15th April 2019.

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.

We have completed and signed the ‘Annual Internal Audit Report’ in the year’s Annual Governance and Accountability 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 July 2018 and March 2019.
- Reviewed bank reconciliations during the year to ensure their routine and accurate completion, specifically verifying the accuracy of those completed as at 31st July 2018; and 31st March 2019
- Verified a selection of expenditure on the Council debit card for 2018-19
- 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 2019 (minute ref CC1972.6/19). 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 and Standing Orders and Financial Regulations have been reviewed and re-adopted before the financial year end..

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 42 payments processed in the financial year. Our test sample provides a broad cross section of expenditure and traders' invoices totalling £96,524 and equates to 54% of total non-pay related expenditure.

Finally, in this area, we have examined the content of VAT reclaims submitted to HMRC prepared 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 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 26th July 2018 (minute reference CC1888/18);
- Examined the Council's current insurance policy with Zurich Municipal covering the year to 31st 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.

- Confirmed that the budget and precept deliberations for 2018-19 were completed satisfactorily, with a precept of £304,663 approved at the Council meeting on 20th December 2018 (minute ref CC1945/18);
- 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 2019, the total Reserve balance stood at £411,041 which included Earmarked Reserves at £242,432. The balance of General Reserves at £168,609 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.

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 and March 2019 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.

Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. We have checked and ensured that the appropriate principles have been applied in the detail recorded in the Council’s Asset Register, noting that it has been prepared using purchase cost values or where that value is unknown at the previous year’s Return level or uplifted or

decreased to reflect the acquisition or disposal of assets: this is in line with the extant reporting requirements.

Conclusions

There are no issues arising in this area to warrant 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.