

Croxley Green Parish Council

Internal Audit Report 2021-22 (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 to the Council since the outset of the “Limited assurance” audit arrangements.

This interim report sets out the work undertaken in relation to the 2021-22 financial year, which took place at our office in December 2021 and June 2022.

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 several internal control objectives.

Overall Conclusion

We have concluded that, based on the programme of work undertaken this year to date 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 thank him for his assistance, which has ensured the smooth progress of our review process.

Consequently, we have completed and signed the ‘Internal Audit Report’ as part of the year’s AGAR process having concluded that, in all significant respects, the internal control objectives set out in that report were 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. DCK accounting provide support with the year-end close-down and accounts.

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 2021 and August 2021.
- 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 2021, 31st August 2021, and March 2022.

Conclusion

We are pleased to report that there are no issues in this area of our review process warranting formal comment or recommendation. We have verified the accurate disclosure of year-end balances in the 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 have reviewed the Council's minutes for the 2021-22 financial year 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 last revised and adopted by the Council in the meeting held on 24th September 2020 (minute ref CC2132/20). We do recommend that they are both reviewed and readopted on an annual basis.

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 ensure compliance with the above criteria, we have examined a sample of 52 payments processed in the financial year. Our test sample provides a broad cross section of expenditure and traders' invoices totalling £100,675. and equates to 46% of total non-pay related expenditure.

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.

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 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.
- Examined the Council's current insurance policy with Zurich Municipal covering the year to 31st May 2022 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 field

Conclusions and recommendations

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

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 2022-23 commenced at the November 2021 meeting (minute ref CC2263/21) and concluded at the January 2022 meeting with the precept being set at £328,290 (minute ref CC2278/22).
- 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.

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

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.

Investments and Loans

The Council holds no investments or loans. We again take this opportunity to draw the Clerk and Council’s attention to a current change in the requirement for production of a formal Investment

Strategy: whilst this only becomes mandatory for Councils with retained funds more than £100,000, current NALC guidance indicates that, again in line with best practice, all Councils holding funds more than £10,000 should also develop an appropriate Strategy. Bearing in mind the balance of monies held by the Council we suggest it would be appropriate to prepare an investment policy.

Conclusions

In view of the above, we suggest it would be appropriate to prepare and adopt an investment policy.

Asset Registers

The Governance and Accountability Manual requires all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture, and equipment owned by the Council.

We are pleased to note that the Council has a detailed asset register which has been updated for the 2021-22 financial year.

Conclusions

We are pleased to report that there are no significant issues arising in this area of our review process warranting formal comment or recommendation. We have ensured the appropriate recording of these assets in the AGAR.

Statement of Accounts and Annual Return

The Accounts and Audit Regulations require all Councils to prepare annually a Statement of Accounts in the AGAR, which now forms the statutory Accounts subject to external audit scrutiny and certification.

We have checked and agreed entries in the Statement of Accounts generated by the accounting software to the underlying Trial Balance and other documentation provided by DCK. Similarly, we have checked and agreed the financial data reported to the AGAR.

Conclusions

No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year.

Based on our detailed work during the year on the Council's systems of financial control and content of the detailed Statement of Accounts and that summarised detail set out in the AGAR, we have signed off the Internal Audit Report of the AGAR assigning positive assurances, in each relevant area.