

Annual Internal Audit Report 2022/23

CROXLEY GREEN PARISH COUNCIL

www.croxleygreen-pc.gov.uk PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

During the financial year ended 31 March 2023, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2022/23 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.		N/A	✓
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2021/22 AGAR tick "not covered")		N/A	✓
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.		✓	see report
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).		✓	see report
N. The authority has complied with the publication requirements for 2021/22 AGAR (see AGAR Page 1 Guidance Notes).		✓	see report
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

07/12/2022 12/06/2023

Name of person who carried out the internal audit
Susan Cook for Auditing Solutions Ltd

Signature of person who carried out the internal audit



Date 12/06/2023

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

Croxley Green Parish Council

Internal Audit Report 2022-23 (Final)

Susan Cook

*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 audit report sets out the work undertaken in relation to the 2022-23 financial year, which took place at the Council Offices on 7th December 2022 and 12th June 2023.

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 maintained adequate and effective internal control arrangements. We are again pleased to acknowledge the quality of records maintained by the Clerk and the Administrative Officer and thank them for their assistance, which has ensured the smooth progress of our review process.

Based on the generally satisfactory conclusions drawn, we have completed and signed-off the ‘IA Certificate’ in the year’s AGAR assigning positive assurances in each relevant area, apart from Assertion L, as the Council did not comply with the requirement to publish the accounts on their website, the exercise of public rights, Assertion M as the dates for the Exercise of Public Rights was incorrect as noted by the External Auditor and Assertion N, as the Authority did not comply with the publication requirements for the 2021/22 AGAR.

We take this opportunity to remind the Clerk and Council of the requirements of the guidance notes in the preface to the year’s AGAR in relation to the documentation that should be displayed on the Council’s website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council’s documentation 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 trial balance on Scribe with last year's closing detail on Omega and the certified Annual Return;
- Checked that a full and effective cost centre and nominal account code structure is in place;
- Ensured that the accounts remained "in balance" at the present date;
- Checked and agreed all cashbook detail to bank statements for the period between 1st April 2022 and 30th September 2022 and for 31st March 2023.
- We note that the Council has an account book with Abbey National, which has not been updated since 2016. There is no separate account on Scribe for these funds, the balance being included with the Business reserve account reconciliation. We understand that the plan is to close the account.

Conclusion and recommendation

The new finance system appears to have been well set up and it is clear a lot of work has been completed by staff to ensure Councillors are receiving up to date and accurate reports, copies of which we have reviewed. We understand staff are experiencing issues trying to close the Abbey National Account, and we have suggested to them a way forward, through the update of the account signatories.

R1. The Abbey National Account should be brought up to date, funds transferred, and the account closed.

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 and Committee 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.
- From the minutes of the meeting held on 12th May 2022 (ref AGM197/22), we are pleased to note that the Council continues to be eligible for 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 note in particular that the following has been removed from the 2019 NALC Model Finance Regulations.

‘5.10. The council will aim to rotate the duties of members in these Regulations so that onerous duties are shared out as evenly as possible over time.’

It is best practice that the Model Regulations are adopted in full and suggest that when the Finance Regulations are reviewed they are adopted in full.

We have also reviewed the external auditor’s report, issued since our last visit, and note that they were unable to complete the external audit in time to enable to smaller authority to publish the required documentation in line with statutory requirements. The certificate of Conclusion states;

‘The smaller authority failed to approve the AGAR in time to publish it before 1 July 2022, the date required by the Accounts and Audit Regulations 2015, but did disclose this by answering ‘No’ to Section 1, Box 1.’

‘The smaller authority has responded ‘No’ to Section 1 Assertion 4 due to not making the proper provision for the exercise of public rights in respect of the 2021/22 AGAR in the summer of 2022. However this assertion relates to the public rights period that took place during the year ended 31 March 2022 i.e. in respect of the 2020/21 AGAR, in the summer of 2021. As far as we are aware public rights were properly exercised during the year under review (2021/22) and so this assertion should have been answered ‘Yes’. As noted below the smaller authority should ensure that it answers ‘No’ to Assertion 4 on next year’s AGAR.’; and

- From our review of the Council’s website, we note that detailed financial information is no longer published including information on annual audit, CIL, budgets and payments, and which now requires up-dating. We understand that the Council is in the process of reviewing its website.

Conclusion and recommendation

The Council has suitable governance arrangements, but the Accounts area of the website has not been updated and so the Council has failed to comply with Accounts and Audit Regulations 2015 by publishing the Annual Internal Audit, AGAR 2021/22, Notice of the period for the exercise of public rights and the Conclusion of Audit along with the External Audit report. We are therefore unable to provide positive assertions for boxes ‘L’, ‘M’ or ‘N’ on the Annual Internal Audit Report for 2022-23.

We note that the Council took positive steps to advertise the work of the Parish Council and to encourage residents to stand as Councillors’ prior to the recent local elections, when five Councillors advised they would not be standing for re-election. This positive action resulted in three new Councillors being elected.

R2. *The Council should annually publish the Exercise of Public Rights, AGAR, and external auditor’s report on the Accounts page of the website in order to comply with the Accounts and Audit Regulations 2015 and to ensure it is able to provide a positive response to box 4 Section One the Annual Governance Statement in future years, which this year it is unable to do.*

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.

To ensure compliance with the above criteria, we have examined a sample of 60 payments processed in the financial year. Our test sample provides a broad cross section of expenditure and traders' invoices totalling £93,013.89 and equates to 47% of total non-pay related expenditure.

Due to the work required to setup the new Scribe Finance system, no VAT report was completed until January 2023, with repayment from HMRC in May 2023, the final quarter return was completed in May 2023, with repayment from HMRC later in the month. We note that there is a £424 difference between the VAT claimed and the value on the Scribe Accounts. We also have a query regarding the Croxley Green Community Association and whether it is registered for VAT as charged on its January invoice.

Conclusions and recommendations

We note that none of the invoices are signed by either staff or Councillors although we note that the payments list is signed off at each Finance Committee meeting. We recommend that to comply with the Financial Regulations (paras 5.3 and 5.4 refers) that the Clerk/RFO should sign all invoices to confirm compliance.

The Scribe VAT 126 list should be reconciled to the VAT returns for the unreconciled amount.

Confirmation should be sought from the Croxley Green Community Association to ascertain its VAT status. If the Association is not registered for VAT, then the VAT element paid to them should be repaid and HMRC reimbursed.

R3. All invoices should be signed by the Clerk/RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council and that the invoice is arithmetically correct.

R4. The VAT claims for 2022-23 should be reconciled to the Scribe 126 VAT list

R5. Confirmation of the VAT status of the Croxley Green Community Centre should be established, and amendments made to the next VAT return if required.

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 and were recently reviewed in March 2023.
- Examined the Council's current insurance policy with Zurich Municipal covering the year to 31st May 2023 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.

Conclusion and recommendations

We note that the risk assessment refers to payment of invoices by cheque, the assessment should be updated to confirm the process to be followed for payment by BACS now that the Council has updated its payment method.

R6. The risk assessment should be updated to contain details of the processes to be followed for paying invoices by BACS.

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 confirmed that the budget and precept deliberations for 2023-24 were discussed by committees and were concluded at the January 2023 meeting with the precept being set at £338,660 and the budget at £342,130.
- Confirmed that the budget is regularly reviewed with the Finance and Administration Committee and that all members continue to receive regular budget performance reports throughout the year, although we note that the budget report is not reviewed at full council meetings during the year.

Conclusion

We are pleased to report that no issues of concern have been identified in this area of our review process.

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 examined the payroll procedures in place and the payments made to staff in 2022-23 on a sample basis. We have:

- Reviewed the pay slips for April and September 2022 to ensure tax and NI is being correctly calculated and deducted, then checked the amounts are paid over to HMRC as recorded in the Ledger;
- Confirmed regular payments are made to LGPS in respect of pension and checked the calculation of the amounts in April & September 2022;

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 funds in long term investments, nor does it have any loans either repayable by, or to it.

We note that all funds are kept with Santander, with monies being accrued for a planned rebuild of the Parish Office.

The Council has recently adopted an Investment Policy and has agreed to open an account with Insignis Cash Solutions, who will be used to review which banking institutions provide the best return on investments.

Conclusion

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

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 on an excel spreadsheet.

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.

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 and have checked the financial data reported to the draft AGAR, there are a couple of rounding entries that are required to ensure the Section Two – Accounting Statement agrees to the carry forward figure from 2021-22 and the closing figure on the Scribe Accounts.

Conclusions

Apart from the rounding required for the carry forward figure for 2021-22 there are no issues with the draft Section Two Accounting Statement.

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, except for boxes L, M and N as reported in the Review of Corporate Governance.

Rec. Recommendation No.	Response
Accounting Records and Bank Reconciliations	
R1	The Abbey National Account should be brought up to date, funds transferred, and the account closed.
Review of Corporate Governance	
R2	The Council should annually publish the Exercise of Public Rights, AGAR, and external auditor's report on the Accounts page of the website in order to comply with the Accounts and Audit Regulations 2015 and to ensure it is able to provide a positive response to box 4 Section One the Annual Governance Statement in future years, which this year it is unable to do.
Review of Expenditure	
R3	All invoices should be signed by the Clerk/RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council and that the invoice is arithmetically correct.
R4	The VAT claims for 2022-23 should be reconciled to the Scribe 126 VAT list
R5	Confirmation of the VAT status of the Croxley Green Community Centre should be established, and amendments made to the next VAT return if required.
Assessment and Management of Risk	
R6	The risk assessment should be updated to contain details of the processes to be followed for paying invoices by BACS.