

Croxley Green Parish Council

Internal Audit Report 2023-24 (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 2023-24 financial year, which took place remotely on 10th January 2024 and at the parish council offices on 29th April 2024.

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 30th June 2023, 30th September 2023 and 31st March 2024.
- 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.

Conclusions and recommendations

The closure of the Abbey National account remains outstanding, but we understand that work is ongoing towards closure of the accounts and the funds transferred. Unfortunately, as this has not been completed, we have retained the action from our previous reports. We are pleased to note that bank reconciliations have been signed by Councillors during the year, in line with Financial Regulations

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 18th May 2023 (ref AGM120/23), we are pleased to note that the Council continues to be eligible for General Power of Competence.
- We note that 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 have also reviewed the external auditor's report, issued since our last visit, noting the following comments; 'Information has come to our attention from the internal auditor highlighting the fact that Sections 1 & 2 of the 2021/22 AGAR, Notice of conclusion of audit, and external auditor report and certificate were not published on the authority's website by the dates specified in the Accounts and Audit Regulations 2015.' Also that; The smaller authority has not provided: one out of three year end bank statements to support the bank reconciliation to Section 2, Box 8. These were requested as part of our intermediate review procedures. Please note that a bank statement for the reserve account was provided but did not contain all the required information.'; and
- From our review of the Council's website, we note that compared to last year, more information has been uploaded to the Transparency area of the website, which primarily provides accounting information; however, some information has been posted under different headings; eg. The external audit report and Conclusion of Audit notice have been posted under the Annual Governance and Accountability Return heading, and the Notice of the period for the exercise of public rights was not on the website at the time of our review. Not all minutes were posted to the website, although following our request for further information, these have now been uploaded.

Conclusion and recommendations

The Council has suitable governance arrangements, but care should be taken to ensure that the Council complies with Accounts and Audit Regulations 2015 by publishing the Notice of the period for the exercise of public rights. We are therefore unable to provide positive assertions for boxes 'L', 'M' or 'N' on the Annual Internal Audit Report for 2023-24.

The Council should also ensure that the information requested by the external auditor is complied with.

The National Association of Local Councils (NALC) have updated the Model Financial Regulations, which the Council should review and adopt, to ensure it is complying with latest legislation.

- R2. *The Council should annually publish the Exercise of Public Rights, 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.*
- R3. *Care should be taken to ensure the full information required by the external auditor is provided. Details of the information that should accompany the AGAR may be found on Page One of the AGAR.*
- R4. *The Council should review and adopt the latest model financial regulations, taking the opportunity to review the Standing Orders to ensure references to the Financial Regulations are correct.*

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 66 payments processed in the financial year. Our test sample provides a broad cross section of expenditure and traders' invoices totalling £123,128.34 and equates to 51% of total non-pay related expenditure.

A VAT return has been completed for the first quarter of 2023-24, however no further claims were made until after the close of the financial year.

Conclusions and recommendations

Invoices are not signed by Councillors or staff to confirm that these are correct, which is in breach of Financial Regulations 5.3 and 5.4, although we are pleased to note that the payment lists are now being signed by the Clerk and two of the Councillors.

We note that the discrepancy between the VAT claimed and the value on the Scribe accounts of £464.21 reported in our report last year remains outstanding.

R5. 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.

R6. The VAT claims for 2022-23 should be reconciled to the Scribe 126 VAT list, to ensure any outstanding claims have been made to HMRC, or any required amendments made to the accounts.

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 2024, with our recommendation from our previous report that the payment methodology be updated, amended.
- Examined the Council's current insurance policy with Zurich Municipal covering the year to 31st May 2024 with Public Liability cover being provided at £15m, Employers Liability at £10m and Fidelity Guarantee at £500k.
- Noted that the Council does not own any play areas or playing fields.

Conclusions and recommendations

We are pleased to note the risk assessment has been updated and re-adopted by Council at its meeting in March 2024.

We also note that the Fidelity Guarantee remains at £500k, guidelines recommend that the cover for fidelity guarantee should be the year-end value plus half the value of the precept. Based on the guidelines the cover for the Council should be in the region of £640k.

R7. Council should consider increasing the cover of Fidelity Guarantee in line with guidelines when its insurance is renewed in May 2024.

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 2024-25 were discussed by committees and were concluded at the January 2024 meeting with the precept being set at £347,840 and the budget at £360,050.
- 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.
- We have reviewed the budget report to March 2024, noting some variances resulting in an over-expenditure to the budget of £9226, but this is offset by the increase in receipts, which includes £17,600 interest receipts and just under £680k of CIL receipts.

Conclusion

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

Review of Income

The Council mainly receives income from the precept, along with bank interest, recovered VAT and in this financial year a large sum of CIL monies.

We have examined the detailed income transaction reports for the financial year to date to ensure that, as far as we can reasonably establish, income due has been received and banked appropriately.

Conclusions

We are pleased to record that no issues have arisen in this area to date 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 begun our examination of the payroll procedures in place and the payments made to staff in 2023-24 on a sample basis. We have:

- Reviewed the pay slips for December 2023 to ensure tax and NI is being correctly calculated and deducted;
- Confirmed the amounts paid over to HMRC;
- Checked the calculation of pensions contributions for December 2023;
- Confirmed the payment made to LGPS in respect of pension; and
- Reviewed staff contracts against the payroll to ensure these are correct.

Conclusions and recommendations

In our previous report we noted that London weighting was not paid to one member of staff in December 2023, and that pension contributions had not been paid on overtime hours. As part of this review we have checked the year-end salary for the member of staff who had not been paid London Weighting and are pleased to note that this has been rectified and the correct salary for the year has been paid.

It is our understanding that pensionable pay includes non-contractual and contractual overtime, therefore any additional payments on top of contractual salary, should be included for pensionable pay deductions.

R8. Advice should be sought to confirm whether pension contributions should be made on overtime payments, with adjustments made if this is the case.

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.

The Council has a detailed asset register; however, we note that the register has a large number of small value items, the Councils should perhaps consider the minimum value for assets to be included on the asset register, with other lower value items included on a separate inventory.

Conclusions

We are pleased to report that there are currently no significant issues arising in this area of our review process warranting formal comment or recommendation.

Investments and Loans

The Council holds no funds in long term investments, but since our last visit has commenced investing funds through Insignias, as noted in the Investment Policy, with £247,000 currently invested.

The Council does not have any loans either repayable by, or to it.

We note that £860k remains in the Santander bank accounts, with monies being accrued for a planned rebuild of the Parish Office.

Conclusion and recommendations

As mentioned above, the Council has invested funds through Insignias, with these funds being moved between various banking institutions on short term deposits. To ensure the safety of its funds, the Council should ensure that funds are only invested with institutions with suitable credit ratings, preferably those rated 'AAA' by companies such as Moody's, Standard and Poor's or Fitch.

The Council should also consider spreading the risk of the funds held with Santander, by investing some of the funds held in other banking institutions.

R9. The Council should review and update its Investment Policy, with a view to spreading the risk of its funds in the unlikely event of the failure of Santander.

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 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.

Conclusions

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.