



Watford Rural Parish Council

Internal Audit Report 2020-21 (Final)

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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 (AGAR). The Council complied with the requirements in terms of independence from the Council decision making process from the outset utilising the services of a local contractor. However, due to his retirement, we at Auditing Solutions Limited were subsequently appointed to provide the Council's internal audit function.

This report sets out those areas examined during the course of our interim audit for the 2020-21 financial year, which took place in November 2020 and May 2021 and was conducted remotely.

Internal Audit Approach

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts/Annual Return(AGAR). Our programme of cover has again been designed to afford appropriate assurance that the Council's financial systems remain robust and 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' in the Council's Annual Return (AGAR), which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, based on the programme of work undertaken, the Council has maintained adequate and effective internal control arrangements during the year. We are pleased to acknowledge the assistance given to us by the Clerk, 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

As reported in previous years, the Clerk uses the Omega accounting software to record accounting transactions through the Council's bank account with the Coop Bank and the deposit account with Unity Bank.

Our objective in this area is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. To meet the above objectives, we have:

- Ensured that the opening balances recorded on the Omega accounting system reflect those in the certified 2019-20 Accounts and Annual Return;
- Ensured that an appropriate cost and nominal coding structure remains in place;
- Ensured that the Omega accounts system remained in balance throughout the financial year;
- Checked and agreed transactions in the Co-op Bank account cashbook for the months of April 2020, August 2020 and 31st March 2021 to the relevant bank account statements.
- Checked and agreed the bank reconciliations on the Co-op Bank account as at 30th April 2020, 31st August 2020 and 31st March 2021 to ensure that there were no long-standing or other anomalous entries with no issues arising;
- Noted that the Council operates electronic banking and the Clerk continues to input and authorise electronic payments. A copy of the payment receipt is attached to the invoice.
- Verbally confirmed the arrangements for the back-up and restoration of the accounting system which we understand continue to provide for a nightly back up of the system with details being overwritten monthly.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation; we have ensured the accuracy of the year-end balances reported in the 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 have: -

- Completed our examination of the Council's minutes for the current financial year to March 2021 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, also ensuring that the Council has not taken, nor is it planning, any actions that might result in ultra vires expenditure;

- Noted that updated Standing Orders and Financial Regulations were approved by Council at their meeting in July 2020 (Minute Ref's 19 c & 19 d respectively).
- Further noted that budget information has been provided to members on a regular basis together with schedules of income and expenditure and a schedule of accounts for payment.
- We have reviewed the external auditor's report, issued since our last visit, to confirm they are raising no matters outstanding regarding the Councils accounts and governance.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation.

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, where no other form of invoice is available.
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct nominal codes have been applied in entering detail in the cashbooks; and
- VAT has been appropriately identified and been the subject of periodic recovery.

We have examined a sample of 44 payments for the financial year, including those individually in excess of £1,250, together with the more random selection of every 20th cashbook transaction, irrespective of value, for the year on the Co-op Bank account. Our test sample totals £122,404.10 equating to 68% of all non-salary related payments for the financial year.

Conclusions

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

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 identified in order to minimise the opportunity for their coming to fruition.

- We are pleased to note that a report utilising the generic LCRS risk assessment software was approved by Council at their meeting on March 2021 minute ref 170 e).
- We note that the Council's insurance cover continues to be provided by Zurich plc with the current policy in place to 31st March 2021: we have examined the current year's schedule to ensure that it affords appropriate cover for the present needs of the Council. With cover

for Public Liability at £15million, Employer's Liability at £10 million and Fidelity Guarantee at £1 million, we consider that cover is adequate for purpose.

Conclusions

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

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 to be precepted on the District Council; 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 have;

- Confirmed that the precept of £238,515 for 2020-21 was approved by Council at their meeting held on 13th January 2021, minute ref 82 b).
- At the same meeting it was confirmed that the level of earmarked reserves would be set at £183,000 minute ref 82 c.)
- Noted from our review of the minutes that members continue to be provided with regular management accounting information;

Finally, we note that, as at 31st March 2021, Total Reserves stood at £430,427 and that Earmarked Reserves at £183,000. The balance of general reserves of £247,427 equates to more than nine months expenditure and is in excess of the guidelines of between three and six months revenue spending.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation.

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that income is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

We note that there are few sources of income additional to the precept and Support Grant, namely lunch club contributions, market stall rents, and occasional hall hire, plus bank interest. Due to the Covid 19 pandemic the hall has been closed.

Conclusions

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

Petty Cash Account and Bank Charge Card

We are required to express a view on the operation of petty cash accounts as part of the Internal Audit Certificate of the AGAR.

A petty cash account is operated at the Council's office with, according to the extant Financial Regulations, an upper holding limit of £250 although we note that currently the account is maintained in the region of £150 but often lower. The Clerk maintains the petty cash account records using a separate cashbook on the Omega accounting system.

We note that the Clerk holds both a debit and a credit card and that transactions on these cards are approved during the normal payment authorisation process as mention previously in this report.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation.

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) with regard to the deduction and payment over of income tax and national insurance contributions, together with meeting the requirements of the local government pension scheme, as most recently and significantly amended.

The Council employs four members of staff for which the PAYE scheme continues to be contracted out to Virtual Business Source Ltd. We have reviewed the salary calculations and in this regard we have:

- Checked to ensure that the Council has approved employee pay rates for the financial year and that these have been duly and accurately applied;
- Checked the Inner London Weighting;
- Checked to ensure that appropriate tax codes have been applied and deductions calculated accordingly;
- Checked to ensure that national insurance deductions were being computed accurately;
- Verified the accurate application of the revised pension requirements for the year;
- Checked to ensure that, where additional/overtime hours have arisen, appropriate timesheets are in place and that these were signed by the employee and approved by a supervising officer or, in the case of the Clerk, by a member;
- Verified the net payslip outturns to the electronic payments identified in both the cashbook and relevant bank statement; and
- Verified that the revised, extant HMRC legislation requiring monthly electronic payroll submissions are being completed and submitted to HMRC in accordance with the required time scale.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation.

Asset Register

The 1996 Accounts and Audit Regulations required all councils to maintain a record of all assets owned. The asset register submitted to us at the end of the previous financial year showed that it contained an inventory of all assets and had been appropriately updated for the minor acquisitions during the year.

We note that currently the minimum level at which purchases should be added to the asset register is set at £500. We are further pleased to note that the Asset Register was approved by Council at their meeting in March 2021 minute ref 170 e).

Conclusion

We are pleased to report that no matters have arisen in this area of our review warranting formal comment or recommendation; we have ensured that the correct value of fixed assets has been recorded in the AGAR.

Investments and Loans

The Council holds no specific investments, nor does it have any loans either repayable by, or to, it.

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. 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.

On the basis of our detailed work during the course of 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.