
London Colney Parish Council

Interim Audit Report 2018-19: First Interim

Sally King

Auditing Solutions Ltd

Background

All town and parish councils are required by statute to make arrangements 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, during our visit to the Council, which took place on 23rd October 2018.

Internal Audit Approach

In undertaking the review for the year to date, we have again had regard to the materiality of transactions and their susceptibility to potential mis recording or misrepresentation in the year-end Statement of Accounts/Annual Return. Our programme of cover has 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, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We are pleased to conclude that, in the areas examined, 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, however, identified one area at this first visit where we considered that further improvements in the overall internal control environment were required. Details of the matter identified during the course of the audit visit is set out in the body of the report, with the recommendation arising from our visit further summarised in the appended Action Plan.

We are again pleased to acknowledge that Council members and officers continue to operate a sound, proactive approach to risk management and corporate governance issues, together with the development and management of effective internal controls and procedural documentation.

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.

Three bank accounts remain in use with the Co-op & Unity banks, each operated with a separate cashbook in the accounting software. We have;

- Ensured that the financial ledger remains in balance at the present date;
- Ensured that the closing balances reported in the Statement of Accounts and certified Annual Return for 2017-18 have been correctly rolled forward as opening Omega balances for the current year;
- Noted that a comprehensive cost centre and nominal expenditure coding structure is in place;
- Examined current account cashbook transactions, as recorded for September 2018 agreeing the detail to the supporting bank statements;
- Verified detail on the other two cashbooks, by reference to the supporting bank statements; and
- Checked detail on bank reconciliations for all accounts as at 30th September 2018 to ensure that no long-standing uncleared cheques or other anomalous entries exist.

Conclusions

We are pleased to report that no issues worthy of formal note have been identified in this area. We will undertake further work at our final visit.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have;

- Commenced our examination of the minutes for Full Council and Standing Committees (except Planning) for the financial year, to establish whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability;
- Noted that that the Finance Regulations were reviewed and approved in March 2018 making reference in the regulations to the cash holding and cash floats relating to the bar; and
- Also noted previously that the Council amended their Financial Regulations to incorporate the revised EU legislation regarding contract tendering.

Conclusions

We have reviewed the Council minutes for the year to July 2018 and will undertake further work at our final visit.

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 expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have considered the Council's arrangements for the review, approval and authorisation of the release of funds in the year, noting that each payment is subject to appropriate authorisation, scrutiny and approval by members at the monthly Council meetings: again also noting that authorising members continue to initial the certification box affixed to each trader invoice.

We have commenced our examination of a sample of non-pay related payments processed during the financial year to September, including those individually in excess of £1,500 plus every 30th payment: our test sample totals £14,588.52 and equates to 24% by value of non-pay related transactions in the financial year.

We note that VAT reclaims are prepared quarterly and we have agreed their detail for the first two quarters to the underlying Omega control account records.

Conclusions

We are pleased to record that no significant issues have been identified in this area warranting formal comment or recommendation. We will undertake further work at our final visit ensuring that VAT is included as a year end debtor in 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 discussed the Council's approach to the identification, recording and management of corporate and financial risks with the Clerk and we have been advised that these will be reviewed by the financial year end.

The Council's insurance cover is provided by Axa We have examined the current policy schedule and consider that it appropriately meets the needs of the Council with both Public and Employer's Liability set at £10 million and Fidelity Guarantee cover set at £162,000

Conclusions and recommendation

We have noted the requirement for the Council to review the corporate and financial risk assessment for the year. We have also discussed with the Clerk the requirement for the Council to consider an increase in fidelity insurance cover in line with the guidelines which state that cover should be 50% of the precept plus year end balance.

- R1. The Council should consider the level of Fidelity Insurance cover and formally minute their deliberations and conclusion identifying any basis for setting a level below the recommended level.*

Review of Income

In this area of our review work, we aim to ensure that all income due to the Council is identified, invoiced (where applicable) and recovered at the appropriate rate and within a reasonable time scale, also that it is banked promptly in accordance with the Council's Financial Regulations. The Council has a variety of income streams in addition to the Precept and Support Grant, including Community Centre / Hall and sports field hire, allotment rents, Parish Magazine, bar sales and from other miscellaneous sources.

We have reviewed the bar cash handling including the banking of funds. We are satisfied that this is being operated in a satisfactory manner and banking is completed regularly. We have undertaken a review of the hall hire procedures and the resultant fee income. We are satisfied that the fee collection and the accounts reconciliation are satisfactory.

Conclusions

We have checked the cash held for the bar area and this is satisfactory.

Petty Cash Account

The Council does not operate a petty cash account, any expenses incurred by officers or members being reimbursed directly through the routine payments procedures.

Review of Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and 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 LG Pension Scheme, as most further revised from 1st April 2018 with regard to changes in employee pension contribution percentages.

Payroll preparation is outsourced to a local third party bureau provider using appropriate bespoke software: In examining the payroll detail, we have obtained detail of the Council's employees from the clerk checking detail of payments made in the sample month of October 2018, as follows:-

- Checked the gross payments to all staff either by reference to the Clerk's schedule of approved payments and NJC salary scales, where applicable;

- Checked the computation of tax and national insurance deductions for the month, by reference to the HMRC Basic PAYE Tools software, ensuring that, where employees contribute to the pension fund, the appropriate NI Table is being applied;
- Checked the pension percentage deductions applied; and
- Checked payment of the calculated net salary to employees for October 2018.

Conclusions

We are pleased to record that no issues have been identified in this area this year warranting formal comment or recommendation.

Investments and Loans

The Council holds no long-term investments warranting separate disclosure in the Accounts nor does it have any loans either repayable by, or to, it.

Conclusions

We are pleased to record that no issues have been identified in this area this year to date warranting formal comment or recommendation. We will undertake further work at our final visit.

<i>Rec. No.</i>	<i>Recommendation</i>	<i>Response</i>
Assessment and Management of Risk		
R1	The Council should consider the level of Fidelity Insurance cover and formally minute their deliberations and conclusion identifying any basis for setting a level below the recommended level.	