



## **Watford Rural Parish Council**

*Internal Audit Report 2022-23 (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). We at Auditing Solutions Limited have been appointed to provide this service to the Council.

This report sets out those areas examined during our audit visits for the 2022-23 financial year, which took place on 27<sup>th</sup> October 2022 & 18<sup>th</sup> May 2023.

## **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 several internal control objectives.

## **Overall Conclusion**

We have concluded that, based on the satisfactory completion of our programme of work undertaken during our interim visit, the Council has again maintained more than adequate and effective internal control arrangements. We are pleased to acknowledge the continued quality of records maintained by the Clerk and thank him for his assistance, which has ensured the smooth progress of our review process.

We are pleased to report that there are no issues arising in the financial year warranting formal comment or recommendation. 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 2021-22 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 to date.
- Checked and agreed transactions in the Co-op Bank account cashbook for the months of April 2022, August 2022, and March 2023 to the relevant bank account statements.
- Checked and agreed the bank reconciliation on the Co-op Bank account as of 31<sup>st</sup> March 2023 to ensure that there were no long-standing cheques 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: -

- Concluded our examination of the Council's minutes for the 2022-23 financial year, to identify whether 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 were approved by Council at their meeting held on 6<sup>th</sup> July 2022, minute reference 44 (b).
- 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 47 payments for the financial year to date including those individually more than £1,250, together with the more random selection of every 20<sup>th</sup> cashbook transaction, irrespective of value, for the year on the Co-op Bank account. Our test sample totals £101,608 equating to 57% of all non-salary related payments for the financial year.

### **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 identified 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 held on 1<sup>st</sup> February 2023 minute ref. 132 (c)
- We note that the Council's insurance cover continues to be provided by Zurich plc with the current policy in place to 31<sup>st</sup> March 2023: 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.

- We are further pleased to note that the playground is subject to an annual inspection by ROSPA.

### ***Conclusions***

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

## **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, namely lunch club contributions and occasional hall hire, plus bank interest. We are pleased to note that hall hire charges were reviewed at the meeting held on 1<sup>st</sup> February 2023, minute ref 132 (d), with some increases in charges being agreed.

### ***Conclusions***

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

## **Petty Cash Account and Debit 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 we note that on 31<sup>st</sup> March 2023 the account balance was only £3.60. As this is now rarely used the remaining balance is to be banked and the account closed on the accounting system.

We note that the Council holds 2 debit cards and that transactions on these cards are approved during the normal payment authorisation process as mentioned previously in this report.

### ***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.***

## **Investments and Loans**

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

## 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) regarding 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 three 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 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.*

## 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; those 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 £291,490 for 2023-24 was approved by Council at their meeting held on 11<sup>th</sup> January 2023, minute ref. 118 (d). The budget was also approved at this meeting minute ref. 118 (b).
- Noted from our review of the minutes that members continue to be provided with regular management accounting information.

Finally, we note that, as of 31st March 2023, Total Reserves stood at £425,866 and that Earmarked Reserves at £195,850; having been finalised at the January 2023 meeting minute ref. 118 ((c). The balance of general reserves of £230,016 equates to more than nine months expenditure and is more than 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.***

## **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. The Asset Register has been updated in 2022-23 and note that it was approved by Council at their meeting in February 2023 minute ref .132 (b).

### ***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.***

## **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.***

***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.***