



Draft Internal Audit Report

Colney Heath Parish Council 2021/22

May 2022

Issued to: Lisa Chaplin – Clerk to the Council

**Parish Clerk to
provide copies to:** Colney Heath Parish Councillors

Report Status: Draft – Private and Confidential

Reference: Z310/22/001

**Overall
Assurance:** Good

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1. EXECUTIVE SUMMARY

Introduction

- 1.1 This review was undertaken as part of the planned provision of internal audit services to Colney Heath Parish Council for the 2021/22 financial year.
- 1.2 The purpose of the tests performed on a selection of key controls is to give the Parish Council assurance that internal controls are operating effectively and to enable the annual return to be completed and signed.

Overall Audit Opinion

- 1.3 In relation to the Parish Council's internal control framework the overall audit opinion is that we can provide overall **good assurance** that there are effective controls in operation for those elements of the risk management processes covered by this review to meet the Town Council's objectives. These are detailed in the Assurance by Risk Area table in section 2 below.
- 1.4 In reaching our overall assurance opinion we have concluded that accounting records are accurately maintained throughout the year to enable the production of a balancing set of accounts for the council to sign off along with the annual return.
- 1.5 We found Income and expenditure are recorded correctly with any VAT on payments being correctly identified and claimed back. The council are not VAT registered so cannot charge VAT on any sales they make but can claim VAT back on any payments classed as 'non-business' as per the HMRC guidelines. All income received and payments made are reported at the following Full Council meeting.
- 1.6 The budget setting process was applied to enable the Council to achieve their objectives and was submitted in a timely manner to meet the precept deadline set by St Albans District Council for the 2021/22 financial year. Budget monitors are produced monthly showing expenditure and income, the budget remaining, and any earmarked reserves utilised. Prior to the Finance and Governance Committee meetings, the most recent budget monitor is sent to the Finance and Governance Committee Councillors for their review, and for them to be able to prepare any questions or need for clarification.
- 1.7 Staff are paid in accordance with the NJC rates issued annually. The payroll function is outsourced, with a change of provider proposed, approved and actioned in the financial year. Our review noted that salary payments and deductions are correct, with the third-party payments calculated correctly and paid in a timely manner. NJC salary increases are notified to the HR Committee when received.
- 1.8 Monthly bank reconciliations are carried out to ensure that the finances of the Council continue to balance. The two reconciliations in our sample were confirmed to have balanced with the second one at the end of March forming part of the final accounts.
- 1.9 For definitions of our assurance levels, please see Appendix B.

Summary of Recommendations

- 1.10 There are no recommendations made following this audit, therefore there is no attached management action plan. The audit work undertaken as part of this review is shown in Appendix A.
- 1.11 The responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity.

2. ASSURANCE BY RISK AREA

2.1 Our specific objectives in undertaking this work, as per the Terms of Reference, were to provide the Council with assurance on the adequacy and effectiveness of internal controls, processes and records in place to mitigate risks in the following areas:





Risk Area	None	Limited	Satisfactory	Good
Maintenance of proper financial records				
Compliance with the Council's Financial Regulations and proper accounting for VAT				
Adequacy of Risk Management arrangements				
Effective budgeting and budgetary control				
Identification of income due and timely collection and banking of such monies				
Proper administration of salaries of employees including PAYE and allowances for Town/Parish Councillors				
Maintenance of an accurate and reliable Asset Register and insurance				
The completion of regular bank reconciliations				
The proper preparation of year-end accounts				
To ensure that the annual return is being completed				
Overall				

2.2 See definitions for the above assurance levels at Appendix B

Area	Control	Control Satisfactory
1. Maintenance of proper accounting records and preparation of Accounting Statements	• Accuracy of Accounting Records	Yes
	• End of Year accounts	Yes
2. Adoption of the Council's Financial Regulations, Contract Standing Orders and Governance	• Financial Regulations	Yes
	• Standing Orders	Yes
	• Meeting Minutes and declaration of conflicts of interest	Yes
3. Payment Controls including treatment of VAT and Section 137 expenditure	• Payment of invoices	Yes
	• VAT on payments	Yes
	• Section 137 expenditure	Yes
4. Risk Management Processes	• Risk Assessment	Yes
5. Budget setting and monitoring	• Budget Setting	Yes
	• Precept notification	Yes
	• Budget Monitoring	Yes
6. Income received and VAT	• Receipt of Precept	Yes
	• Receipt of income	Yes
	• VAT on income	Yes
	• Banking of income	Yes
7. Payroll records including Income Tax, National	• Pay policy/process	Yes

Area	Control	Control Satisfactory
Insurance and Pensions	• Annual salary increases	Yes
	• Individuals' salary increase	Yes
	• Members/Mayors Allowances	Yes
	• Salary deductions paid to external bodies (Tax and Pension)	Yes
8. Completeness of Asset and Investment Registers	• Asset Registers	Yes
	• Investments	Yes
9. Bank Reconciliations	• Bank Reconciliations	Yes

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level			Definition
Corporate	Critical		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.