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| Nuneham Courtenay Parish Council***Internal Audit Report 2018-19*** |

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# *Director*

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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 Governance and Accountability Return (AGAR).** This report records the results of our review of the Council’s accounting transactions and other relevant records for the 2018-19 financial year.

**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 / AGAR. Our programme of cover, as applied to all clients, is designed to afford appropriate assurance that the Council’s financial systems are 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 AGAR, which requires independent assurance over several internal control objectives.

**Overall Conclusion**

We have concluded that, based on our programme of cover for the year, the Council has maintained adequate and effective internal control arrangements. Detail of the work undertaken on the Council’s accounting and other records is set out in the following detailed report, together with any issues arising with recommendations further summarised in the appended Action Plan.

We have completed and signed the ‘Internal Audit Report’ as part of the AGAR process, having concluded that the control objectives set out in that Report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

**Detailed Report**

**Review of Accounting Records and Bank Reconciliations**

The Clerk maintains the Council’s accounting records using an Excel spreadsheet, which we consider to be more than adequate given the annual level of transactions. Two bank accounts are in use with Barclays (Current and Savings). The cashbook contains appropriate analysis columns to provide information for inclusion in the Council’s Statement of Accounts embodies in the statutory AGAR.

We have checked and agreed the full year’s financial transactions, as recorded in the cashbooks, to bank statements with no issues arising. We are also pleased to note that bank reconciliations and budget performance are reported to and reviewed by members during the course of the year and have verified the accuracy of the year-end bank reconciliation and accurate disclosure of year-end balances in the AGAR.

Due to the low level of annual turnover, the Council has again met the criteria to “exempt” itself from the “limited assurance” regime and will be submitting the appropriate certificate to the external auditors in due course, once approved by the Council.

Conclusions

***No issues have been identified in this area warranting formal comment or recommendation.***

**Review of Corporate Governance**

Our objective in this area is to ensure that the Council is complying with best practice and has put in place appropriate arrangements to ensure that good governance is practiced and observed.

We note that the clerk has prepared revised Standing Orders (SOs) which has been available for presentation to and approval by the Council at meetings towards the end of the financial year, but have consistently been deferred at each meeting.

We have examined the content of the extant (i.e. the latest formally approved and adopted version) SOs and Financial Regulations (FRs) which both refer to a limit of £10,000 for formal tender action, both also referring the to the now revised 2006 Procurement Regulations. These were revised in 2015 following changes in the EU and Public Contract Regulations and we urge that both of the Council’s documents are updated in line with the latest NALC model documents, copies of which we have provided in electronic format to the clerk to assist the process.

We have reviewed the Council’s minutes for the year to ensure that, as far as we may reasonably be expected to ascertain, no issues exist or are developing that may have an adverse affect on the Council’s financial stability either currently or in the foreseeable future and are pleased to note that no such issues appear to exist currently.

We thank the Chairman for completing our Governance Questionnaire noting that the Council is, as yet, not fully compliant with the website disclosure requirements of the Transparency Code and again urge that this is addressed as soon as is practicable with all the required information disclosed accordingly.

Conclusions and recommendations

***As indicated in the preceding paragraphs, we urge the Council to complete its review of extant governance documentation, adopting the latest available NALC model documents, suitably tailored to meet the Council’s specific requirements.***

*R1. The Council should ensure that it finalises its review of extant Standing Orders, together with Financial Regulations, bringing them both into line with the latest NALC model documents to take account of the relatively recent changes in Procurement Regulations (and also GDPR considerations).*

*R2. The Council must ensure that it meets the disclosure requirements of the Transparency Code as soon as is practicable.*

**Review of Payments**

Due to their low volume, we have reviewed all payments made during the year to ensure that the following criteria were met:

* Payments were supported by a trade invoice or appropriate other form / acknowledgement of receipt.
* VAT has been calculated correctly and is recovered at appropriate intervals.
* The Council at a Council meeting approved each payment.
* Payments have been correctly analysed in preparation of the year-end Statement of Accounts.
* Section 137 payments have been identified in the cashbook and are within the Council’s spending limit.

We are also pleased to note that VAT is reclaimed periodically, albeit one annually with the 2017-18 main reclaim repaid in January 2019, together with a supplementary reclaim prepared and submitted in relation to Talk Talk invoices for the period 1st April 2017 to 30th June 2018, which was repaid by HMRC in August 2018.

#### Conclusions and recommendations

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***We are pleased to record that no significant issues have been identified in this area of our review and are pleased to note that members are initialling and dating the invoices and cheque counterfoils as and when the payments are approved and cheques signed. We have, however, noted that no receipts / supporting documentation was either not held and / or not provided for our examination in relation to a few payments during year, primarily grants and donations and the clerk’s ad hoc expenses, although we acknowledge that all are appropriately minuted as approved for payment. No documentation was provided in relation to the following cheque numbers: - 100337; 341; 342; 352; 354 & 360. Where payments are made in respect of grants / donations, in line with best practice, we suggest that recipients be asked to sign an acknowledgement of receipt, which should then be filed with other invoices. One or two of the clerk’s quarterly expense clams were not among the papers provided: following our e-mail exchange with the clerk, these have now been provided in electronic format.***

*R3. All payments should be supported by either a trade invoice or acknowledgement of receipt: where the clerk’s “out-of-pocket” expenses are involved, a copy should be printed and be subjected to the same control procedures as other trader invoices.*

**Assessment and Management of Risk**

We are pleased to note that the Council has reviewed and adopted a risk register during the year, formally adopting it at the August 2018 meeting: we have reviewed the document and consider it appropriate for the Council’s present requirements.

The Council's insurance for the year is with Axa. We have examined the insurance schedule and consider that it is in line with expectation and remains appropriate for the Council’s current needs with appropriate Public and Employer’s Liability cover in place at £10 million, together with employee dishonesty / fidelity guarantee cover at £150,000 all of which we consider appropriate for the Council’s present needs.

#### Conclusions

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

1. **Budgetary Control and Reserves**

We are pleased to note that, following due deliberation, the Council approved and adopted a budget and precept for 2019-20 setting the latter at £5,000 at the January 2019 full Council meeting.

We are also pleased to note that the clerk provides members with periodic reports detailing actual receipts and payments against the anticipated / budgeted levels during the year with no significant unexplained variances arising.

Total year-end reserves stand at £15,900 which equates to almost 2 years’ revenue spending at the 2018-19 level: whilst significantly in excess of the generally recognised General Reserve holding of between three and six months’ revenue spending given the relatively low value of the holding, we do not consider this to be an issue.

***Conclusions***

1. ***No issues have been identified in this area warranting formal comment or recommendation.***

**Review of Income**

The Council has very limited sources of income comprising the annual precept together with bank interest and VAT refunds. We have checked and agreed the cashbook income entries to bank statements and supporting documentation with no issues arising.

#### Conclusions

1. ***No issues have been identified in this area warranting formal comment or recommendation.***

**Petty Cash Account**

***The Council does not operate a petty cash account, any “out-of-pocket” expenses incurred by the Clerk or members being repaid through the general invoice payment procedures.***

**Review of Staff Salaries**

We have reviewed the Clerk’s contract of employment noting that it identifies the salary pay point and basic monthly working hours, together with a monthly “home working allowance”. We are pleased to also note that the contract has been updated to include appropriate reference to the clerk’s assimilation to a new point on the revised national spinal pay points coming into effect from 1st April 2019.

We have reviewed the calculation of the Clerk’s gross salary for the year, paid quarterly against the terms set out in the employment contract, also checking the tax deductions made noting that the clerk’s earnings fall below the threshold where NI contributions would apply. In checking the tax deductions, we were unable to verify the amount deducted for the fourth quarter’s salary with an apparent under-calculation of the amount due to HMRC. We have discussed this with the clerk and understand that, following negotiations between the clerk’s financial advisor and HMRC, an adjustment was made to the tax liability for the fourth quarter of the year, resulting in the less than anticipated payment to HMRC.

#### Conclusions

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

**Fixed Asset Registers**

The Governance and Accountability Manual requires that all councils establish and maintain inventories/asset registers of buildings, land, plant and equipment, etc. owned by them. We are pleased to note that the clerk and Council have complied with extant guidance, also recording asset values at the prior year AGAR value, amended only by the cost of new acquisitions and / or any disposals in year (also at cost price) where appropriate.

That said, examination of the register of assets indicates that three new acquisitions totalling £419 occurred during 2018-19. With the 2017-18 AGAR recording a value of £1,537, we would have anticipated the 2018-19 year-end asset register value to total £1,956, although it only records a value of £1,656: further enquiry of the clerk has revealed that a noticeboard with a prior year recorded value of £300 in the asset register has been replaced with a new donated noticeboard at an installation cost of £95, which is included in the 2018-19 asset register.

***Conclusions and recommendation***

***We are pleased to report that no significant issues arise in this area.***

**Investments and Loans**

**The Council holds no specific investments or loans requiring separate disclosure.**

**Statement of Accounts and AGAR**

The AGAR now forms the Council’s statutory Accounts subject to external audit review and certification, although, as in 2017-18, the Council meets the criteria for exemption from the formal “Limited Assurance” regime with annual turnover below the £25,000 threshold.

***Conclusions***

***Having verified the accuracy of disclosure of the year’s financial transactions, we have duly signed off the Internal Audit Report assigning positive assurances in each relevant area.***

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| Rec. No. | Recommendation | Response |
| **Review of Accounting Arrangements ad Bank Reconciliations** |  |
| R1 | The Council should ensure that it finalises its review of extant Standing Orders, together with Financial Regulations, bringing them both into line with the latest NALC model documents to take account of the relatively recent changes in Procurement Regulations (and also GDPR considerations). |  |
| R2 | The Council must ensure that it meets the disclosure requirements of the Transparency Code as soon as is practicable. |  |
| **Review of Accounting Arrangements ad Bank Reconciliations** |  |
| R3 | All payments should be supported by either a trade invoice or acknowledgement of receipt: where the clerk’s “out-of-pocket” expenses are involved, a copy should be printed and be subjected to the same control procedures as other trader invoices. |  |