
Nuneham Courtenay Parish Council

Internal Audit Report 2020-21

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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 systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2020-21 financial year, Due to the continuing impact of the Covid-19 pandemic, we have again undertaken the year's review remotely: we wish to thank the Clerk in assisting the process, providing all necessary documentation in electronic format to facilitate completion of our review and sign off of the Internal Audit Certificate in the year's AGAR. We have, obviously in the circumstances, reduced the volume of transactions examined, whilst still ensuring governance and financial controls remain effective.

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's 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 continued to maintain 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 duly 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 (Community and Savings). The cashbook contains appropriate analysis columns to provide information for inclusion in the statutory Accounts as set out in the AGAR.

We have test-checked a sample of financial transactions to the relevant bank statement, with no issues arising. We are pleased to note that, further to concerns expressed during the 2019-20 audit, the Council has maintained a full set of bank statements for 2020-21.

We also note that bank reconciliations are signed off on a quarterly basis at Council meetings.

Conclusion

There are no issues arising in this area of our review warranting formal comment.

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 again note that the Council's Standing Orders and Financial Regulations are considerably out of date. The current versions should be obtained from OALC, reviewed for any particular practices of the Council, and then formally adopted.

We have reviewed the Council's Minutes for the year to ensure that, as far as we may reasonably be expected to ascertain as we so not attend meetings, 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 have been identified.

The Council's website now shows a good level of compliance with the requirements of the Transparency Code 2015.

Conclusions and recommendations

R1. The Council should ensure that Standing Orders and Financial Regulations are updated in line with the latest NALC Standard Forms as a priority.

Review of Expenditure

Our aim here is to ensure that: -

- 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 payments are approved by members and recorded in the Minutes of the relevant Council meetings
- Relevant Standing Orders and Financial Regulations have been met in relation to formal tendering processes;
- The correct expenditure analysis has been applied to payments when processed; and
- VAT has been appropriately identified for periodic recovery.

We have test-checked a representative sample of 2020-21 transactions, with no issues arising although we note the difficulties the Council faced over the Clerk's illness during the period. We also note that the level of independent check by Councillors, as required by Financial Regulations, has fallen. While this is undoubtedly due to pandemic restrictions, it should be re-established once normal meeting practices return.

Conclusion

There are no issues arising in this area of our review warranting formal comment.

Assessment and Management of Risk

We note that, due to difficulties experienced during 2020-21, the Council has self-certified that it did not undertake a Risk Review during the year, as required by Financial Regulations. Risk Reviews were undertaken in February 2020 and May 2021.

The Council has renewed its insurance cover with Hiscox from November 2020. We have examined the insurance schedule and consider that it is in line with the Council's needs with Public and Employer's Liability cover set at £10 million each, Official Indemnity at £500,000 and sufficient cover for the Council's assets.

Conclusion

There are no issues arising in this area of our review warranting formal comment.

Budgetary Control and Reserves

We note that the Council approved and adopted a budget and Precept for 2021-22 of £6,408 at its meeting in January 2021.

The Council has established Earmarked Reserves totalling £2,680, relating to the Village Hall and the Village Plan. Therefore, allowing for the cash balance of £9,453 at 31 March 2021, the General Reserve is £6,773, which represents around 1 years normal transactions. While high, this is relatively normal for a Council of this size.

Conclusion

There are no issues arising in this area of our review warranting formal comment.

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 with no issues arising.

Conclusion

There are no issues arising in this area of our review warranting formal comment.

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

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) in the deduction and payment over of income tax and NI contributions.

We note that the Clerk is paid on a timesheet basis, and paid on NJC hourly rates. We also note that a PAYE record has been set up with HMRC, and that resulting tax payments have been properly made.

Conclusion

There are no issues arising in this area of our review warranting formal comment.

Fixed Asset Registers

The Governance and Accountability Manual requires all councils to maintain a record of all assets owned. The Asset Register provided to us during our review is for a relatively low value, unchanged from 2019-20, and meets the requirements of Government Accounting.

Conclusion

There are no issues arising in this area of our review warranting formal comment.

Investments and Loans

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

Statement of Accounts and AGAR

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, which is now set out in the AGAR at Section 2: this, together with the Annual Governance Statement at Section 1, is subject to independent external audit examination and certification. However, as the Council's annual turnover is below £25,000 it can again exempt itself from the "Limited Assurance" regime in 2020-21.

Based on the overall status of the Council's operative controls we have duly signed off the Internal Audit Certificate in the year's AGAR assigning appropriate assurances in each area.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Council should ensure that Standing Orders and Financial Regulations are updated in line with the latest NALC Standard Forms as a priority.	