

# **Nuneham Courtenay Parish Council**

*Internal Audit Report 2021-22*

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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 2021-22 financial year. 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 undertaken sufficient substantive testing to ensure that 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. We are pleased to note that we have not seen the need to make any recommendations this year.

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 Business Premium). 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 also note that bank reconciliations are signed off at each Council meeting, with a level of internal check sufficient to meet the requirements of Financial Regulation 2.2.

### *Conclusion*

*There are no issues arising in this area of our review 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.

Further to our comments in previous years, we are pleased to note that the Council has revised both its Standing Orders (SO's) and Financial Regulations (FR's) during the year, which now accord with the latest NALC Model Forms.

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 have been identified.

The Council's website continues to show a good level of compliance with the requirements of the Transparency Code 2015.

### *Conclusion*

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

## 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 2021-22 transactions, with no issues arising. We are pleased to note that the previous level of certification on each invoice has been re-established post-pandemic.

We note that VAT has been periodically reclaimed during the year, with a balance of £128 outstanding at 31 March 2022, which was reclaimed on 7 May 2022.

### *Conclusion*

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

## Assessment and Management of Risk

We note that the Council reviewed its Risk Register at its May 2021 meeting, which has been published on its website. This meets the requirement of Financial Regulations for at least an annual review.

The Council continue to insure through Hiscox. 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 or recommendation.*

## **Budgetary Control and Reserves**

We note that the Council approved and adopted a budget and Precept for 2022-23 of £6,408 at its meeting in January 2022.

The Council has established Earmarked Reserves totalling £2,530, relating to the Village Hall and the Village Plan. Therefore, allowing for the cash balance of £9,651 at 31 March 2022, the General Reserve is £7,121, which represents just above 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 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 with no issues arising.

We note that, with effect from 2021-22, this Council has taken on the financial management of the Joint Committee for Housing Infrastructure Funds on behalf of a group of local Parishes. It is possible that this may lift the Council above the £25,000 threshold where a full external audit review will take place. The position should be closely monitored by the Council.

### ***Conclusion***

***There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation about the Housing Infrastructure Fund.***

## **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. Finally, we note that the most recent NJC pay award, backdated to 1 April 2021, was paid during the year.

### ***Conclusion***

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

## **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 since 2019-20, and meets the requirements of Government Accounting.

### ***Conclusion***

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

## **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 2021-22.

*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
<hr/> <b>No Recommendations made</b>		