

Nuneham Courtenay Parish Council

Internal Audit Report 2019-20

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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 2019-20 financial year, Due to the impact of the Covid-19 pandemic, we have of necessity 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 again 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 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 checked and agreed the full year's financial transactions, as recorded in the cashbooks, to bank statements with no issues arising: we do, however, note the difficulties encountered by the Clerk in obtaining bank statements from Barclays for the full financial year, which has also delayed our completion of the year's review. This has also effectively prevented the Clerk from undertaking bank reconciliations during the course of the year or at the financial year-end, as is reflected in the meeting minutes of 7th July 2020.

Having now received the year's bank statements, it is apparent that a payment in March 2019 recorded in the 2018-19 cashbook and year-end bank reconciliation as uncleared drawn in favour of HMRC in the sum of £127.60 has not been processed either "in-house" or by the bank as at 31st March 2020. Consequently, we suggest that the Clerk check with both Barclays and HMRC to try and establish what has happened to the payment, which was supposedly made "online": as the payment has not cleared the bank during 2019-20 it is now effectively "out of date" and should be written back in the 2019-20 cashbook as a negative payment, thereby reducing the year's total payments by that sum as well as the Staff Costs" value to be reported in the 2019-20 AGAR at Section 2, Box 4.

Consequent on the above necessary adjustment, we have duly reworked the year-end (as of 31st March 2020) bank reconciliation and provided the Clerk with a copy.

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 and recommendation

No significant issues have been identified in this area other than the need to ensure that, where payments fail to clear through the bank for an unduly lengthy period (say three months) the payee is pursued to establish why the payment has not been banked and whether a replacement is required.

R1. Where payments remain uncleared at the bank for three or more months, the payees should be chased to establish whether a replacement payment is required: if not the original should be written back in the cashbook as a negative payment and identified as such.

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 noted last year that the Clerk had prepared revised Standing Orders (SOs) which, together with Financial Regulations, were duly adopted by the Council in May 2019. Examination of the detail in both documents reveals that a formal tender limit of £10,000 is in place, which we

consider potentially high given the annual turnover of the Council and retained balances, although we acknowledge that, should the Council receive CIL moneys, more significant spending may occur.

We have examined the content of these two documents noting that the SOs are not in line with the latest NALC published document: that said, we understand that NALC was in the process of reviewing both SOs and FRs prior to the Covid crisis to take account of the UK's departure from the EU: the publication of updated documents has, consequently, been delayed. We also note that the extant SOs refer to the 2006, rather than the 2015 updated Public Contracts Regulations.

We have, as in prior years, reviewed the Council's minutes for the year to ensure that, as far as we may reasonably be expected to ascertain as we do 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 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. We have provided the Clerk with electronic copies of the latest available documents to assist the process.

- R2. *The Council should ensure that the extant Standing Orders are updated and brought more into line with the latest NALC model document and to also reflect the requirements of the 2015 Public Contracts Regulations rather than the outdated 2006 detail.*
- R3. *Consideration should be given to setting a lower value for formal tender action that the present £10,000.*
- R4. *The Council must ensure that it meets the disclosure requirements of the Transparency Code with all required and relevant documentation published on its website in a timely manner.*

Review of Payments & VAT

Due to the impact of the Covid crisis, we have selected a sample of 18 individual payments, together with the 12 monthly Talk Talk direct debit payments, as initially provided by the Clerk, for review against the following criteria: -

- 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, and
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit

We are again pleased to note that VAT is reclaimed annually with the 2019-20 reclaim repaid in mid-March 2020, detail of which we have agreed to the underlying cashbook record.

Conclusions

We are pleased to record that no issues have been identified in this review area this year, noting that members initial and date the invoices and cheque counterfoils as and when the payments are approved and cheques signed. We are also pleased to note that, as suggested last year, the Clerk has maintained a record of his “out-of-pocket” expenses (mileage and miscellaneous purchases), which is presented to members in support of his quarterly reclaims.

Assessment and Management of Risk

We are pleased to note that the Council has again reviewed its existing risk register, formally re-adopting it at the February 2020 meeting: we have reviewed the document and consider it appropriate for the Council's present requirements.

The Council's insurance for the year, as arranged by Came & Co, remains with Axa: we have examined the insurance schedule and consider that it is in line with expectation with Public and Employer's Liability cover both 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.

Budgetary Control and Reserves

We are pleased to note that, following due deliberation, the Council approved and adopted a budget and precept for 2020-21 setting the latter at £6,072 at the January 2020 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 £11,942 (£15,883 as of 31st March 2019), which equate to marginally in excess of one year's revenue spending at the 2019-20 level, which, given the relatively low value, we consider appropriate for the Council's ongoing spending requirements.

Conclusions

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 with no issues arising.

Conclusions

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 previously reviewed the Clerk’s contract of employment noting that it identifies the salary pay point applying in 2018-19 and basic working hours, together with a monthly “home working allowance”. We are also pleased to 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 which came into effect from 1st April 2019.

We have reviewed the calculation of the Clerk’s gross salary for the year by reference to the prepared monthly timesheets, the salary being paid quarterly, also verifying the resultant quarterly tax deductions made noting that the Clerk’s earnings fall below the threshold for NI contributions to apply.

Conclusions

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

However, we wish to draw the Clerk’s attention to the changed rules as regards recording of Staff Cost expenditure in Box 4 of the AGAR which come into effect from the 2020-21 financial year: the JPAG Practitioner’s Guide 2020 refers at Page 17 and have duly provided the Clerk with an electronic copy of the document.

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 any new acquisitions (defibrillator) and a few disposals in year at cost price net of VAT.

Several of our clients have also developed a photographic register of their stock of assets (street furniture, etc), which has assisted the smooth progression of insurance claims where damage has occurred to the assets, either wilfully or accidental.

Conclusions

We are pleased to report that no issues arise in this area, although we suggest that the Council considers development of a photographic register of its stock of assets.

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 2018-19, the Council meets the criteria for exemption from the formal "Limited Assurance" regime with annual turnover below the £25,000 threshold.

Conclusions

We have verified the values to be disclosed in the year's AGAR, subject to adjustment for the unpaid March 2019 HMRC payment assigning positive assurances in each relevant area in the AGAR's IA Report and provided the Clerk with corrected detail.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements ad Bank Reconciliations		
R1	Where payments remain uncleared at the bank for three or more months, the payees should be chased to establish whether a replacement payment is required: if not the original should be written back in the cashbook as a negative payment and identified as such.	
Review of Corporate Governance		
R2	The Council should ensure that the extant Standing Orders are updated and brought more into line with the latest NALC model document and to also reflect the requirements of the 2015 Public Contracts Regulations rather than the outdated 2006 detail.	
R3	Consideration should be given to setting a lower value for formal tender action that the present £10,000.	
R4	The Council must ensure that it meets the disclosure requirements of the Transparency Code with all required and relevant documentation published on its website in a timely manner.	