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# **Woodborough 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 system of internal control and for the conclusions to be reported each year in the AGAR.**

This report sets out the work undertaken in relation to the 2021-22 financial year. We have again undertaken our review for the year remotely: we wish to thank the Clerk and Responsible Financial Officer for assisting the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have undertaken a level of transaction testing sufficient 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-end Statement of Accounts/AGAR. Our programme of cover has again been designed to afford appropriate assurance that the Council's financial systems remain 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 a number of internal control objectives.

## **Overall Conclusion**

We have concluded that, based on the programme of work undertaken this year, the Council has continued to maintain adequate and effective internal control arrangements throughout 2021-22. We have not seen the need to make any recommendations this year, or to qualify the accounts, although we have made observations, as we have in previous years, about the proper recording of payments. We would again invite Council to consider this issue.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Responsible Financial Officer (who is also the Vice Chair) maintains the Council's accounting records on a spreadsheet, which provides sufficient detail to ensure suitable analysis is available for production of the Accounts and AGAR. One current account at Lloyds Bank is operated for all regular receipts and payments, together with a deposit account, also with Lloyds Bank, for excess funds / Reserves. The closing balances on these accounts are duly incorporated into the year-end accounts.

Bank balances are regularly reviewed at Council meetings. The reconciliation as at 31 March 2022 has been checked and agreed to the AGAR.

While it is unusual to find a Councillor maintaining the financial records, we have received assurances that this practice has been in place for many years, and there is sufficient internal control by the Council as a whole to ensure the integrity of the Accounts.

### *Conclusions*

*No issues arise in this area of review warranting formal comment or recommendation.*

## Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council and any Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to reasonably ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Examined the Council's minutes for the financial year to ensure that no issues affecting the Council's financial stability either in the short, medium or long term exist, also that no legal issues are in existence whereby the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred;
- Noted that Standing Orders (SOs) and Financial Regulations (FRs) were re-adopted at the July 2020 Council meeting, but a review during 2021-22 was not deemed necessary;
- Noted that the £5,000 level for formal tender action previously agreed is now reflected in both Standing Orders and Financial Regulations; and
- Reviewed the Council's compliance with the Transparency Code for Smaller Authorities, which became mandatory in 2015. We are pleased to note that the Council's website shows a good level of current and historical data that meets the Statutory requirement in full.

### *Conclusions*

*No issues arise in this area of review warranting formal comment or recommendation.*

## Review of Payments

We have reviewed a representative sample of payments made during the year to ensure that the following criteria were met:

- Payments were supported by a trade invoice or 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.

Our transaction testing shows that, following the inevitable disruption to meetings caused by the Covid-19 pandemic, there is now a good level of approval of individual payments at Council meetings. As with earlier years, however, we remain concerned that not all invoices are clearly made out in the name of the Council, some of which involve VAT transactions.

### *Conclusions*

*No issues arise in this area of review warranting formal comment or recommendation, other than our ongoing observation about invoices, especially those containing a recoverable VAT element, being clearly made out in the name of the Council.*

## Assessment and Management of Risk

The Council reviewed its Risk Register at the March 2022 meeting, which satisfies the requirements of Financial Regulations.

Insurance cover continues in place throughout 2021-22 with Zurich Municipal, with Public Liability and Employers Liability set at £10 Million, and other covers appropriate to a Council of this size.

### *Conclusions*

*No issues arise in this area of review warranting formal comment or recommendation.*

## **Budgetary Control and Reserves**

The Council formally approved a 2022-23 Budget at its December 2021 meeting, setting the Precept at £8,500.

We are pleased to note that the Council has now established four Earmarked Reserves (EMR's) totalling £11,900. When deducted from the year-end bank balance of £17,434 this leaves a General Reserve of £5,534, which represents 65% of the Precept against a Best Practice figure of 50%. This is an acceptable level.

### ***Conclusions***

*No issues arise in this area of review warranting formal comment or recommendation.*

## **Review of Income**

*The Council only receives limited income during the year, primarily from the Precept, occasional VAT reclaims, a small amount of bank interest and ad hoc miscellaneous receipts. We have reviewed the recording of such transactions in the cashbook and to underlying records with no issues arising.*

## **Petty Cash Account**

*The Council does not operate a petty cash account; any incidental "out-of-pocket" expenses incurred by the Clerk or Councillors are reimbursed, approved and recorded in the minutes as part of the normal controls exercised over routine payments.*

## **Review of Staff Salaries**

We note that, following a recent review, the Clerk is now paid in accordance with NJC pay scales, including the most recent pay award backdated to 1 April 2021.

We note that the management of payroll continues to be outsourced to an independent service provider.

### ***Conclusions***

*No issues arise in this area of review warranting formal comment or recommendation.*

## **Asset Registers**

We are pleased to note that the Council maintains an Asset Register, with all identified assets recorded at either original net cost or, if the item is historic or donated, a nominal £1. This satisfies the requirements of Government Accounting.

### ***Conclusions***

*No issues arise in this area of review warranting formal comment or recommendation.*

## **Investments and Loans**

*The Council neither has any specific investments in place nor does it have any loans repayable either to or by it.*

## **Statement of Accounts and AGAR**

We have examined the detailed Statement of Accounts and AGAR prepared by the Responsible Financial Officer and agreed the detail therein to the supporting documentation.

### ***Conclusions***

*Based on our work this year, we have duly signed off the Internal Audit Report in the year's AGAR assigning appropriate assurances in each relevant area.*

Rec. No.	Recommendation	Response
<hr/> <p>No recommendations made.</p>		