

INTERNAL AUDIT ANNUAL REPORT – 2023/2024

CITY OF DURHAM PARISH COUNCIL

1. Background

- 1.1. Following the abolition of the Audit Commission a new organisation has been established which is responsible for issuing proper practices in relation to the accounts of smaller authorities. It is called the Smaller Authorities Proper Practices Board (SAPPB), and is made up of members of the SLCC, NALC, CIPFA, the Department of Housing, Communities and Local Government (DHCLG), the Department of Environment, Food and Rural Affairs (DEFRA), the National Audit Office and a representative of the external audit firms appointed to smaller authorities.
- 1.2. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. The AGAR is made up of 3 sections along with an annual internal audit report, which is to be completed by the Parish Council's independent internal auditor, who is to give an opinion of the Parish Council's internal controls.
- 1.3. CDALC have provided Councils with a checklist to be used, this annual audit uses this list as the minimum of the tests to be carried out.

2. Objectives of the Audit

- 2.1. To examine the system of internal controls to ensure that the Council may obtain an adequate level of assurance for its activities during the year.

3. Scope of the Work and the areas of Audit Work examined.

- 3.1. The Scope of Work covers the key control tests identified in the AGAR.
- 3.2. To properly complete the audit the following areas of activity have been examined and tested by the Internal Auditor:
- Payroll
 - Creditors
 - Risk Management
 - Income collection and Banking arrangements
 - Petty cash (none held)
 - Assets
 - Debtors
 - Budgetary Control (including year end procedures)
 - Exercise of public rights
- 3.3. City of Durham Parish Council was formed 1st April 2018 with its first Council meeting on 10th May 2018. These accounts examined are for the year 2023/24.

4. Findings

4.1. Payroll

- 4.1.1. The City of Durham Parish Council currently has 1 employee a Parish Clerk who was appointed in November 2018.

- 4.1.2. Durham County Council administered the salary and payroll deductions of the Clerk for the 2023/24, and produce payroll control reports, which is a good independent internal control for the Council, and payments are made for his salary by BACS from the Council's bank account. These were found to be correct.

4.2. Creditors (Accounts Payable)

- 4.2.1. City of Durham uses Rialtus finance system (used by most Town and Parish Councils). All payments and receipts are input into this system with adequate reports produced throughout the year and at the year end.

- 4.2.3. All payments made are reported to Finance and Council Committee meetings under Financial Position. The Parish Council makes all payments via electronic banking. Two Members of the Council from the current list of five authorised signatories (excluding the Clerk who acts as administrator) approve every payment against invoices before authorising the payment using their own login details provided by the bank. There is a facility for making urgent payments out of the Council meeting if necessary.
- 4.2.4. The Clerk sends details in email's to Councilors with the attached invoices ready for payment. After logging in the approval is returned by email by the Councilors to the Clerk as evidence of seeing the invoice. All payments are then detailed in the next Committee.
- 4.2.5. The Cash book 1 report for 2023/24 was used to identify all payments and this was checked to the invoices and the bank statements. However, there was no audit trail from the invoice to the Cash Book 1 report i.e payment date written on the invoice.
- 4.3. Risk Management
 - 4.3.1. The Council carries out regular risk assessments in respect of actions with the Clerk making an annual risk management report to the Council, which is agreed with the statement of accounts.
- 4.4. Income collection and Banking arrangements
 - 4.4.1. Income for the Council is for the precept, Vat claim and any grant monies. The Council does not collect any income. Vat claim for 2022/23 was received 3rd November 2023.
 - 4.4.2. Bank reconciliations are properly carried out to the bank reconciliation reports and bank statements.
- 4.5. Accounting Records
 - 4.5.1. The Accounting records for 2023/24 produced reports from the Rialtus finance systems and the completed statement of accounts as shown on the AGAR was confirmed to these reports.
- 4.6. Assets
 - 4.6.1. The Council has completed an asset register which is approved with the statement of accounts.
- 4.7. Debtors
 - 4.7.1. There are no accounts raised for debts.
- 4.8. Budgetary Control
 - 4.8.1. Preparing for budget setting for the financial year 2024/25. - All of the Parish Council's Committees meet to consider their own budget request to go forward for the Finance Committee to consider. A recommended budget and precept request is then agreed at the Parish Council's Full Council meeting in January,
 - 4.8.2. The 2024/25 budget and precept were discussed and agree at the 17th January 2024 Finance meeting and approved at Full Council on 25th January 2024.
- 4.9. Governance arrangements
 - 4.9.1. The Council has agreed its Standing Orders and Financial Regulations, which is the backbone of good governance arrangements. The Annual Governance Report as part of the AGAR will highlight if any improvement in governance arrangements is needed along with any audit recommendations.
 - 4.9.2. A review of Standing Orders, Financial Regulations, and some policies were agreed and adopted at Council's Annual General Meeting on 15th May 2024 after a review by a Working Group.
 - 4.9.3. The Council has a responsibility for conducting an annual review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of: The Full Council The Clerk to the Council who has responsibility for the development and maintenance of the internal control environment and managing risks The independent Internal Auditor who reviews the Council's systems of internal control Mazars, the Council's external auditors, who

make the final check using the AGAR, which is completed and signed by the Responsible Financial Officer, the Chairman and the Internal Auditor. A report on the Parish Council's Internal Controls was agreed by the Full Council on 22nd February 2024.

- 4.9.4. The announcement of the public rights for 2022/23 was announced 28th June 2023 with the inspection of the accounts available between 29th June 2023 and 9th August 2023, and was placed on the Council's website
5. Conclusions/Recommendations
- 5.1. The Council has good Standing orders and Financial Regulations and there are good governance arrangements in place, and the only recommendation is for a payment date to be shown on the invoice to complete the audit trail to the Cash Book1 report.



Gordon Fletcher (C.M.I.I.A.),
Internal Auditor for the Town Council
Date: 16th May 2024