INTERNAL AUDIT ANNUAL REPORT – 2025/2026
CITY OF DURHAM PARISH COUNCIL

1. Background

1. 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 Ministry of Housing, Communities and Local Government (MHCLG), 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. 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 2025/26.

4. Findings

4.1. Payroll

4.1.1 The City of Durham Parish Council currently has 1 employee a Parish Clerk.

4.1.2. Durham County Council administered the salary and payroll deductions of the Clerk for the 2025/26, 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 Rialtos 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.

4.2.2. All payments made are reported to the Finance Committee each month and meet every quarter where it is reported 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) must authorise 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 meeting if necessary. Such payments are also reported to the Parish Council's Finance Committee meeting and all decisions to spend funds as urgent action are ratified at the next Full Council meetings and minuted as such.

4.2.3. The Clerk sends details in emails to Councillors with the attached invoices ready for payment. After logging in the approval is returned by email by the Councillors to the Clerk as evidence of seeing the invoice. All payments are then detailed in the next Committee.

4.2.4 The Cash book 1 payments report for 2025/26 was used to identify all payments and this was checked to the invoices and the bank statements. All invoices had payment date recorded on them.

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 2025/26 was received in the Councils bank account on 16th September 2025.

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 2025/26 produced reports from the Rialtos finance systems and the competed 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 2025/26. - 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 2026/27 budget and precept were initially discussed at the 19th November 2025 Finance meeting after the Committees had submitted their proposals along with the Councils medium term priorities and agree approved at Full Council on 26th November 2025.

4.8.3 Throughout the year the Finance Committee reports on the financial position of the Council.

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 reviewed by Working Group, and these were agreed and adopted at Council's Annual General Meeting on 23rd July 2025

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 28th January 2026.

4.9.4. The announcement of the public rights for 2024/25 was announced 26th June 2025 with the inspection of the accounts available between 27th June 2025 and 7th August 2025 and was placed on the Council's website.

4.9.5. The Council has good Policies in place to meet the criteria for digital and data compliance (Assertion 10) and have set up.gov.uk email addresses.

5. Conclusions/Recommendations

5.1. The Council has good Standing orders and Financial Regulations in place and there are good governance arrangements in place.

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Date: 6th May 2026