

# **INTERNAL AUDIT ANNUAL REPORT – 2020/2021**

## **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 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 is a new Council formed 1<sup>st</sup> April 2018 with its first Council meeting on 10<sup>th</sup> May 2018. These accounts examined are for the year 2020/21.

### **4. Findings**

#### **4.1. Payroll**

- 4.1.1. The City of Durham Parish Council 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 2020/21, 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. For 2020/21 City of Durham purchased 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.
- 4.2.2. The Council also has a debit card which the Clerk (having delegated authority) uses for various purchases with invoices kept on file. I understand that all payments are agreed with the Chair, and are included in the payments report to the Finance Committee.
- 4.2.3. All payments made are reported to all Finance Committee meetings. The Parish Council now 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) 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 the Council 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. During the Pandemic agreement of the invoices to be paid was carried out through E. mails between the Clerk and the Councillors.

4.2.4 The Cash book 1 report for 2020/21 was used to identify all payments and this was checked to the invoices, the bank statements and the agreed grant payments.

4.2.5. The previous recommendation for Councillors to initial the invoices when they are approved for payment to give evidence that they have agreed the invoice, has been approved at the 25<sup>th</sup> June 2020 Council meeting, however, due to the Pandemic this has not been practical, but will commence once the restrictions are lifted.

### **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. For 2019/20 the vat claim was submitted and paid into the Council's bank account on 24<sup>th</sup> April 2020.

4.4.2. The previous audit recommendation to transfer monies to another bank account has not been implemented. As the Council held a large sum of monies in one bank account which exceeded the threshold of the Finance Compensation Scheme of £85,000 therefore its monies would not be protected if the bank ceases to trade. This has been difficult to implement due to the Covid restrictions, but this is in hand and will be in place in 2021/22.

4.4.3. Bank reconciliations are properly carried out to the bank reconciliation reports.

### **4.5. Accounting Records**

4.5.1. The Accounting records for 2020/21 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 to be 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 2021/22 The Clerk advised the Committee that 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 agreed at the Parish Council's Full Council meeting in January,

4.8.2. The 2021/22 budget and precept were discussed and agreed at the 26<sup>th</sup> November 2020 Finance meeting and approved at Full Council on 28<sup>th</sup> January 2021.

### **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. At 25<sup>th</sup> April 2019 Council meeting it was agreed that a working party be set up to review Standing Orders, Financial Regulations, risk register and terms of references for committees. These were approved at Council's Annual General Meeting on 23<sup>rd</sup> May 2019. Due to the Pandemic there was no AGM in 2020 and therefore no review carried out, however, these are to be reviewed in 2021

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 is submitted with the statement of accounts.

4.9.4. The announcement of the public rights for 2019/20 was dated 29<sup>th</sup> June 2020 with the inspection of the accounts available between 30<sup>th</sup> June 2020 to 10<sup>th</sup> August 2020, and was placed on the Council's website

**5. Conclusions/Recommendations**

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



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Internal Auditor for the Town Council**

Date: 20<sup>th</sup> May 2021