
Internal Audit Report

Trimdon Parish Council – Annual Internal Audit

Ref No 12104/2021

Final Report

Assurance Opinion: Substantial

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Date issued: 26 April 2022

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Introduction

1. As part of the 2021/22 Internal Audit Plan, an audit was carried out in October 2021, and April 2022 to evaluate the control framework in place on the management of the risks associated with the Council's activities.
2. The review considered the effectiveness of the arrangements in place that support the core financial systems as set out in the Appendix A of the Annual Internal Audit Report of the Small Bodies Annual Return.
3. The review covered the period 01 April 2021 to 31 March 2022.
4. An Interim Report was issued in November 2021 which covered the period 1 April 2021 to 30 September 2021. The findings from the Interim Report and from the work undertaken during April 2021, covering the period 1 October 2021 to 31 March 2022 have been incorporated into this final report.

Conclusion

5. The audit work carried out can provide a Substantial level of assurance that the control framework and procedures in place are effective in managing the associated risks.

Summary of Findings

Appropriate accounting records have been kept properly throughout the year

6. The Council uses Rialtas Business Solutions (RBS) Ltd Financial and Administration software systems as its accounting package. The Clerk to the Council is responsible for creating and allocating accounting codes and also for the recording and input of transactions and therefore it is noted that there is no segregation of duties in place, due to the limited staffing resources available.
7. Testing was carried out on a sample of income and expenditure transactions made during the period 01 April 2021 to 31 March 2022, as described throughout this report, and a review of the bank reconciliation process found that transactions had been accurately recorded and that appropriate accounting records were maintained.

The Council met its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

8. A sample of 30 payments was selected for testing. This included 27 payments to suppliers, two grants, and a refund. Testing of the 27 payments to suppliers, 25 were paid via BACS and two by card, confirmed that each was supported by an invoice, and VAT was appropriately accounted for. Each payment was found to have been appropriately approved. Regular suppliers are presented to council annually, and a list of invoices to be paid is presented to council for review and approval on a monthly basis. The authorisations for the two grants in the sample

were traced to the council minutes, and the refund related to a precept for Trimdon Foundry which was paid to the council in error and returned to Durham County Council.

9. RBS has an inbuilt report that enables all transactions which are vatable to be captured for a defined period. The outputs from the report feed into the VAT return which is claimed on a quarterly basis. The VAT from the sample of payments were each traced to the return.
10. The Council's Financial Regulations as operating in 2021/22 were reviewed and approved by council on 30 March 2021 and were sighted as being published on its website under the Policies section.
11. The review of the sample of invoices paid during the period 01 April 2021 to 31 March 2022 found that procurements and contract awards decisions were justified and in line with the Financial Regulations.
12. A review of Transparency Section on the Council's website in relation to expenditure confirmed that payments over £500 for the quarters April 2021 – June 2021 and July 2021 to September 2021, had been published in adherence to the Transparency Act. Six payments from this period included in the sample were over £500 and were traced to the website, although one payment included VAT when the published expenditure should exclude VAT. Similar findings regarding the VAT on published expenditure were previously identified in the 2020/21 audit and a best practice recommendation was raised in the Final Audit Report issued in May 2021. There were a further eight payments in the sample over £500 for the quarters October 2021 to December 2021, and January 2021 to March 2021, however these quarters had not yet been published at the time of the audit.

The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

13. The Council's Risk Register in place for 2021/22 was approved by Council on 14 May 2021. Through reference to the Register, it was possible to confirm that the Council does maintain an adequate register of risks to its objectives, detailing the activity, risk, responsible owner, controls, and that these are periodically reviewed with identified actions required having been implemented as intended. It is understood that the Risk Register will next be updated prior to the next annual meeting in May 2022.

The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate

14. The annual precept requirement was considered and approved by Council on 15 December 2020. The report also included the draft budget for 2021/22.

15. Examination of the Accounting Statement for the Year Ended 31 March 2021 identified that Council Reserves of £115,000 were held.

16. Budget monitoring updates were presented to Council during the year.

Expected income was fully received, based on correct prices, properly recorded, and promptly banked; and VAT was appropriately accounted for.

17. The Cemetery and Allotment fees and charges for 2021/22 were discussed at the Council meeting of 30 March 2021. It was agreed that a new charge be made for each grave cut. It was also agreed that allotment fees would remain at the current level.

18. The Fees and Charges in relation to the Cemetery and Allotments were published on the Council Information page of its website.

19. Burial fees income is recorded on income sheets by the Head Groundsman with the income sheets and monies being passed to the Clerk at the end of each month. The Clerk reconciles the income against burials documentation to ensure that all expected income is received. Income is recorded in the cash book and paid into the Post Office. Review of a sample of months income sheets found that income had been banked promptly and in full.

20. For allotments an annual letter is generated from the RBS allotment module and issued to tenants. Subsequent income is recorded on the individual plot records on RBS and banked at the post office monthly as with the Burial income. The Clerk is able to identify non-payers using system generated reports. Review of the 2021/22 year-end report showed that there were no outstanding allotment rents.

21. VAT had been appropriately accounted for, with the return claims covering the period 01 April 2021 to 31 March 2022 being verified against the transaction reports for that period.

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for

22. No petty cash accounts were in operation and no items of petty cash related expenditure were sighted in the records during the period reviewed.

Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.

23. All staff are employed under National Joint Council for Local Government Services Terms and Conditions and Payscale. The Clerk processes payroll details directly through the HMRC Basic PAYE web portal inputting the weekly gross pay and calculated amount of Superannuation. The site then calculates the payments that are due to each employee along with those to be made to the collecting bodies. The Clerk verifies these each week and writes the breakdown of the various pay

elements due into a ledger book. The Clerk, as a secondary check, compares the amount of pay calculated for each employee against that previously made.

24. The appropriateness of the Council's payroll arrangements including the calculation and payment of PAYE and NI requirements were reviewed with a sample of employee wages selected for testing. This found small overpayments between the gross pay paid as compared with the rates from the National Association of Local Councils (NALC) salary award. These differences were not material and following a best practice recommendation in the interim report, have been reviewed by the Clerk and have been rectified. Deductions for national insurance (NI), pension, and tax were verified in each case as having been accurately calculated, as were the employer pension and NI contributions.
25. No allowances or expenses for Councillors were claimed, this corresponded with a statement to that effect included within the Transparency Section of the Council's website.

Asset and investments registers were complete and accurate and properly maintained

26. An Asset register has been compiled for 2021/22, was approved by the Council on 27 April 2021, and is available on the website.
27. A review of the Asset Register as reported by the Clerk appeared reasonable in terms of its overall format and content. A record is maintained of expenditure on non-standard items throughout the year and relevant items updated to the Asset Register at the year end.

Periodic and year-end bank account reconciliations were properly carried out

28. Audit testing included a review of the bank reconciliation for the periods ended 30 September 2021, and 31 March 2022. The bank balances, when taking into account unpresented cheques and non-banked income, was verified to the balances reflected within the cash book and bank statements.
29. Monthly bank reconciliations are reported to Council on a monthly basis for review by members after which the Chairman signs the bank statements.

Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

30. The 2020/21 Annual Governance and Accountability Return (AGAR) was signed-off by Mazars, the council's external auditor, on 18 August 2021.

31. A review of the financial transactions carried out during the period 01 April 2021 to 31 March 2022 confirmed that cash book entries and bank reconciliation records were correctly and properly accounted for and could be verified to an adequate audit trail of supporting documentation.

The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations

32. The notice of exercise of public rights was published on the council's website on 11 June 2021 with the rights commencing on 14 June 2021 and ending on 23 July 2021.

The authority has complied with the publication requirements for the 2020/21 AGAR

33. In accordance with AGAR guidance notes the council had published on its website the Annual Governance Statement, Accounting Statements, Notice of Conclusion of the Audit, External Auditor Report and Certificate, and Sections 1 and 2 of the AGAR, for the year 2021/22.
34. As a result of the audit, there were no medium or high priority findings, or best practice recommendations.

Background

35. This review has been carried out in accordance with the contract between Durham County Council's Internal Audit Service and the Parish Council.
36. This review aims to help management achieve its objectives by providing an opinion on the adequacy of the control framework in place to manage risks effectively. The conclusions from the review will inform the annual audit opinion provided by the Chief Internal Auditor on the adequacy and effectiveness of the entire control environment operating across the whole of the Authority, required to inform the Annual Governance Statement.
37. The report is intended to present to management the findings and conclusions of the audit. Wherever possible, findings and recommendations made to improve the control framework have been discussed with the appropriate officers and their views taken into account.

Scope and Audit Approach

38. The scope and audit approach for this review was determined by the Annual Internal Audit Report of the Small Bodies Annual Return set out in Appendix A.

Overall Assurance Opinion and Priority of Our Recommendations

39. Based upon the ratings of our findings and recommendations arising during the audit, we define the overall conclusion through the following assurance opinions.

Opinion	Definition
Substantial Assurance	There is a sound system of control. Any weaknesses identified expose some of the system objectives to minor risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk.
Limited Assurance	There are weaknesses in key areas in the system of control, which expose objectives to unacceptable levels of risk.

40. We define the priority of our recommendations arising from each overall finding as follows;

Priority	Definition
High	Action required, that is considered imperative , to improve the control environment so that objectives are not exposed to unacceptable risks through lack of or weaknesses in critical or key controls.
Medium	Action required to improve the control environment so that objectives are not exposed to risks through weaknesses in controls.
Best Practice	The issue merits attention and its implementation will enhance the control environment.

Appendix A - Small Bodies Annual Return

The requirement for activities to be covered as part of the Annual Internal Audit Report are detailed in the table below:

Area	Internal Control Objective
A	Appropriate accounting records have been kept properly throughout the year.
B	The Council met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
C	The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
D	The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
E	Expected income was fully received, based on correct prices, properly recorded, and promptly banked; and VAT was appropriately accounted for.
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.
G	Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.
H	Asset and investments registers were complete and accurate and properly maintained.
I	Periodic and year-end bank account reconciliations were properly carried out.
J	Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.
K	If the authority certified itself as exempt from a limited assurance review in 2019/20, it met the exemption criteria and correctly declared itself exempt. - <i>Not covered/not applicable</i>
L	If the authority has an annual turnover not exceeding £25,000, it publishes information on a website/webpage up to date at the time of the internal audit in accordance with the Transparency code for smaller authorities. - <i>Not covered/not applicable</i>
M	The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations
N	The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations