



Internal Audit Report

Trimdon Parish Council – Annual Internal Audit

Ref No 12104/2023.bf

Final Report

Assurance Opinion: Substantial

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Introduction

1. As part of the 2022/23 Internal Audit Plan, an audit was carried out in October 2022 and April 2023 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 Annual Internal Audit Report of the Small Bodies Annual Return.
3. The review covered the period 01 April 2022 to 31 March 2023.
4. An Interim Report was issued in December 2022 which covered the period 1 April 2022 to 30 September 2022. The findings from the Interim Report and from the work undertaken during April 2023, covering the period 1 October 2022 to 31 March 2023 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 2022 to 31 March 2023, 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 25 payments was selected for testing. Testing confirmed that each was supported by an invoice, and that VAT was appropriately accounted for. Each payment was found to have been appropriately approved. Regular suppliers paid by direct debit 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.

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 2022/23 were reviewed and were approved by council in May 2022 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 October 2022 to 31 March 2023 found that procurements and contract awards decisions were justified and in line with the Financial Regulations.

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

12. The Council Risk Register for in place for 2022/23 was approved by council on 09 May 2022. 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.

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

13. The annual precept requirement was considered and approved by Council on 1 December 2021. The report also included the draft budget for 2022/23.
14. Examination of the Accounting Statement for the Year Ended 31 March 2022 identified that Council Reserves of £132,000 were held.

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

15. The Fees and Charges in relation to the Cemetery and Allotments were sighted on the Council website and were up to date.
16. 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.
17. For allotments an annual letter, to bill for the rent, 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.

18. Burial income for a sample of four months was traced from the income sheets to the cash book and the bank account.
19. VAT had been appropriately accounted for, with the return claims covering the period 01 April 2022 to 31 March 2023 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

20. 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.

21. All staff are employed under National Joint Council for Local Government Services Terms and Conditions and Payscales. 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.
22. Examination of a sample payroll run confirmed that pay was in line with agreed payscales and deductions had been accurately calculated.
23. No allowances or expenses for Councillors were claimed, this corresponded with a statement to that effect included on the Council's website.

Asset and investments registers were complete and accurate and properly maintained

24. An Asset register has been compiled for 2022/23, was due to be presented to Council for approval on 08 November 2022. The minutes of this meeting had not yet been published at the time of the review.
25. 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

26. Audit testing included a review of the reconciliations for the periods ending 30 September 2022 and 31 March 2023. The balance, when taking into account un-presented cheques and non-banked income, was verified to the balances reflected within the cash book and bank statements.
27. Monthly 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.

28. The 2021/22 Annual Governance and Accountability Return (AGAR) was signed-off by Mazars, the council's external auditor, on 25 August 2022.
29. A review of the financial transactions carried out during the period 01 April 2022 to 31 March 2023 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 (2021-22) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations

30. The notice of exercise of public rights was published on the council's website on 23 May 2022 with the rights commencing on 1 June 2022 and ending on 14 July 2022.

The authority has complied with the publication requirements for the 2021/22 AGAR

31. 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.
32. As a result of the audit, there were no high or medium priority findings.

Background

33. This review has been carried out in accordance with the contract between Durham County Council's Internal Audit Service and the Parish Council.
34. 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.
35. 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.

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.
M	The authority, during the previous year (2021-22) 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 (2021-22) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations