
Internal Audit Report

Monk Hesleden Parish Council - Annual Internal Audit

Ref No 12102/2021.bf

Final Report

Assurance Opinion: Substantial

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Introduction

1. As part of the 2019/20 Internal Audit Plan, an audit was carried out in October 2020 and April 2021 to evaluate the control framework in place on the management of the risks associated with the Council's activities.
2. The review will consider 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 as set out in Appendix A.
3. The review covered the period 01 April 2020 to 31 March 2021.
4. Due to COVID-19 restrictions documentation was obtained electronically by email. No testing was carried out on site however the requirements of delivering the full audit review were met.

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 the recording and input of records into the system is carried out by the Administration Officer. Testing of a sample of income and expenditure made during the period 01 April 2020 to 31 March 2021, as described throughout this report, and review of the bank reconciliation process, found that transactions had been accurately recorded and appropriate accounting records maintained.

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

7. Testing of a sample of 20 payments confirmed that each could be traced to a legitimate invoice. Due to the COVID-19 restrictions, as face to face council meetings did not take place, the Clerk was assigned delegated authority by the Council to authorise the payment of invoices and it was practice for invoice payments to be subject to formal review throughout the year.

8. Payments made during the COVID-19 pandemic were by via online banking arrangements and all transactions which processed throughout the COVID-19 restriction period required online authorisation from the council Chairman. All expenditure incurred continued to be reported to Council at the monthly meetings.
9. RBS has an inbuilt report that enables all transactions which are vatable to be identified for a defined period. The outputs from the report feed into the VAT return which is claimed on a quarterly basis. The return claims covering the period 01 April 2020 to 31 March 2021 were verified against the transaction reports for the period.
10. The Council's Financial Regulations were last reviewed by Council on 17 June 2019 with no changes being made. These were sighted as being published on its website under the Policies section. A further review of the Council's Financial Regulations is scheduled to take place during 2021/22.
11. From the sample of 20 invoices reviewed there were 18 items of expenditure within the threshold of £500 to £3,000. Financial Regulations require that 'as far as reasonable and practicable that the best value terms are obtained in respect of each transaction'. The Clerk stated that research is carried out in order to secure value for money. Suppliers are also chosen for reasons such as they are the only local supplier, past good service, reliability, and by recommendation. Sufficient records are maintained by the Clerk should any procurement be challenged.
12. There was one transaction within the threshold of £3,000 to £60,000 which required three quotations. This related to repairs to the bowling green hut roof at a cost of £5,325. The quotations were reported to council and the contract awarded to the lowest price tender.
13. In accordance with the Transparency Agenda payments for over £500 were published on the website for each quarter.

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

14. The Council Risk Register for 2020/21 was sighted on the website having been considered and approved as part of the Clerks Report at the meeting of the Committee held on 20 January 2020. 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.
15. The risk register was compiled and approved prior to the COVID-19 pandemic and it was acknowledged by the Clerk that this required subsequent review to consider the impact of any additional risks posed to the Council.

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

16. The Parish Precept for 2020/21 was agreed by Council on the 2 December 2019 and was supported by appropriate budgetary information.
17. Examination of the Accounting Statement for the Year Ended 31 March 2019 identified that Council Reserves of £455k were held and at 31 March 2020 this figure had decreased to £409k.

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

18. Fees and Charges in relation to the Cemetery for 2020/21 were approved by the Council on 21 October 2019.
19. There were a small number of Debtor accounts raised by the Council, these were recharges to the Police for use of the building, to East Durham College in relation to the apprentice, and to B & S Recycling in relation to Hesleden Restoration. These are raised in a timely manner and monitored manually to ensure payment was received. Although there were some debtor accounts due for payment at the year-end, these payments were not overdue.
20. A review of a sample of 12 receipts which included cheques received for burial/cemetery fees and memorial bench donations found these has been appropriately recorded and banked in a timely manner. Steps have been taken to move the main funeral director and memorial company to paying by BACs.
21. The only cash taken over the counter is for dog bags and printing. This is of low value. Cash is held in a cash tin and banked when necessary.
22. Members approve, on a monthly basis, a report of income received.
23. VAT had been appropriately accounted for, with the return claim covering the each quarter being verified against the transaction report for that period.

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

24. Review of petty cash payments confirmed that each transaction was supported a signed voucher, and all but one was supported by a receipt. Items purchased were appropriate. Petty cash usage is included in the expenditure reports presented to Council. Due to COVID-19 restrictions, no testing was carried out on site to independently verify that the balance of cash held to the amount recorded within the Petty Cash book. However, the Clerk did provide evidence of her year-end check which confirmed that the amount of cash physically held matched the petty cash records.

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

25. All staff are employed under National Joint Council for Local Government Services Terms and Conditions and Pay scales. The Clerk processes payroll details through a package called IRIS which calculates payments that are due to the employee and the collecting bodies.
26. 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. These were verified in each case as having been accurately calculated.
27. No allowances or expenses for Councillors were sighted which 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

28. The Transparency Section of the Council's website included a link to the Council's Statement of Accounts and confirmed that an Asset Register was in place as at 31 March 2020.
29. Assets and their values were reported to Council within the annual statement of accounts which was approved on 18 May 2020, although due Covid-19 the full detailed register was not presented to council during the year. Discussion with the Clerk confirmed that council meetings are to be carried out in person now and the Asset Register will be reported for review and approval in May 2021.

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

30. Evidence was sighted of monthly reconciliations between the bank accounts and cash book being undertaken as part of the period closedown process. These are submitted by the Clerk, as part of the monthly reporting process for Members for review and approval.
31. The bank reconciliation for the year ending 31 March 2021 was reviewed with the balance vouched to the bank statement. There were no unrepresented cheques and non-banked income.

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.

32. The accounts for 2019/20 were signed off by Mazars, the council's external auditor on 21 July 2020.
33. A review of records processed thus far in relation to the financial year 2020/21 identified that they are being prepared on the correct accounting basis, could be agreed to the cash book, were supported by an adequate audit trail from underlying records and had been properly accounted for in the correct year.

The authority, during the previous year (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations

34. The notice of the exercise of public rights was published on the Councils website as of 18 May 2020, with the rights commencing 8 June 2020 and ending 17 July 2020.

The authority has complied with the publication requirements for the 2019/20 AGAR

35. 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 2019/20.
36. As a result of the audit, there were no high, medium or best practice recommendations

Background

37. This review has been carried out in accordance with the SLA between Monk Hesleden Parish Council and Durham County Council.
38. This review aims to help the Council 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 form the basis for determining 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 Council, required to inform the Annual Governance Statement.
39. 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.
40. Due to covid-19 restrictions the audit had to be carried out without the usual site visit to physically review and gather documentation. The time and assistance afforded by Lynda Wardle, Clerk to the Council, in supplying the information required fully and promptly via email was greatly appreciated.

Scope and Audit Approach

41. 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.

Limitations

42. Due to the Covid-19 restrictions in place at the time of this audit a site visit by the auditor to inspect all original documentation and records was not possible. Gaps in testing as a result of this were generally mitigated through the supply of copy records and documentation by email where this was practical, and the results of this audit and audit opinion should be viewed with these restrictions in mind.

Overall Assurance Opinion and Priority of Our Recommendations

43. 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.

44. 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 Annual Internal Audit Report - 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 (2019-20) 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 (2019-20) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations