

INTERNAL AUDIT ANNUAL REPORT

Easington Parish Council

2023/24 AUDIT

Assurance level:	Full Assurance
Report status:	Draft Report
Date:	22nd April 2024
Prepared by:	Gordon Fletcher, Internal Auditor
Issued to:	Paul Moore, Parish Clerk

CONFIDENTIAL

INTRODUCTION

1. In accordance with the agreed Internal Audit Plan, I have carried out a review of Easington Village Parish Council Internal Controls for 2023/24. The review involved a visit to Seaton Holme, Easington Village, on 18th April 2024 and from home on 17th April 2024.
2. In carrying out the audit, the time and assistance afforded by the Parish Clerk, was greatly appreciated.

OBJECTIVES OF THE REVIEW

3. The overall objective of my review is to provide a risk based assessment of the systems in place in order to form an opinion as to whether they are robust and provide an adequate basis for effective control, as specified in the AGAR were to ensure that;
 - Payroll procedures are operating as expected.
 - Creditor payments are authorised and that internal controls can be relied upon.
 - There are adequate internal controls for the debtors system.
 - Income collection procedures and banking arrangements are adequate.
 - Assets register is maintained and is up to date.
 - The agreed budget is accurately shown in the accounts and monitored.
 - The tendering process is followed.
 - Section 137 payments (donations) are properly recorded.
 - Risk management arrangements are satisfactory.
 - Governance arrangements

SCOPE OF THE WORK CARRIED OUT

4. The review is carried out by Gordon Fletcher, who is contracted to provide an Internal Audit Service for Easington Village Parish Council.
5. The scope of the work covers all the areas within the Internal Audit section of the AGAR for Parish Councils, with compliance and substantial testing carried out.
6. The report is intended to present to the Parish Clerk the observations and conclusions of the audit. Wherever possible the observations and any recommendations have been discussed with the Parish Clerk and her views considered.

SUMMARY OF THE WORK

7. PAYROLL

- 7.1. Previously the H.M.R.C changed the way it collects tax and national insurance in real time. Therefore, Durham County Council (DCC) required the Parish Council to agree to a service level agreement in which the Parish Council set up a BACS systems where staff are paid directly from the Parish Council's current account. Any changes to the normal payroll information are notified by the Clerk to DCC payroll department.
- 7.2. The Council has 7 permanent employees who complete timesheets which are signed by the employee and authorised by the Parish Clerk. (Parish Clerk's is authorised by the Chair). The internal controls of the payroll system allow reliance to be placed on them, and all timesheets examined for the year had been properly completed and signed by the employee and authorised with correct payments made.

8. ACCOUNTS PAYABLE

- 8.1. Following discussions with the Parish Clerk it was agreed that a 6 monthly detailed review of accounts Payable was carried out. This was reported on 21st November 2023 where it was found that "the system for paying invoices set up by the Parish Clerk is satisfactory for the size of the Council".
- 8.2. This included detailed checks on the payment of accounts between April to September 2023, this

current audit will confirm that the internal controls are still working with compliance tests carried out

- 8.3. All invoices for payments for goods and services checked confirmed that good internal controls and separation of duties were still being applied regarding the payment of accounts. There were no queries.

9. PETTY CASH

- 9.1 The petty cash system was examined, and proper procedures were being carried out with receipts obtained for all expenditure. Petty cash check showed the amount held (£237.61) was correct to the records as at 18th April 2024.

10. INCOME COLLECTION AND BANKING ARRANGEMENTS

- 10.1 Following discussions with the Parish Clerk it was agreed that a 6 monthly detailed review of income collected and banking arrangements was carried out and reported on 21st November 2023 where it was found all expected income had been received and banked.

- 10.2. This included detailed checks on the income collected and banked between April and September 2023, therefore this audit carried out compliance test to ensure that the internal controls are still working between October to March 2024. Since the previous audit the Clerk has introduced a Sales invoice detail sheet to record an EV number for inputting into Rialtus to identify these receipts, this is recorded on the List of receipts report.

- 10.3. The Council had two bank accounts, a Current Bank Account which shows most of the income paid in and payments out, and the Hi Business Premium account which holds the main balance of the Council's monies and automatically tops up the Business Bank Account when required. Since the interim audit the Clerk has spread the monies held and opened a Public Sector Deposit Account to protect the Council's monies held.

11. ASSET REGISTER

- 11.1. The Asset Register is updated during the year when an asset is bought or disposed of, and is completed in accordance with the Governance and Accountability for Local Councils - A practitioners' guide. The Asset Register is reviewed and reported every year with the approval of the annual accounts.

12. BUDGETARY CONTROL ARRANGEMENTS

- 12.1. income and expenditure budgets had been properly compiled and are used to set the precept for the following year, which is reported to Members.
- 12.2. Budget monitoring is carried out through the Detailed Income and Expenditure reports by budget heading, which are reported monthly to Members throughout the year.
- 12.3 A Medium-Term Financial Plan (5 years) is considered every year regarding repairs, replacement and Maintenance programme for Seaton Holme, Administration and Plant and Machinery. This was discussed at the 11th December 2023 Council meeting. The Council does not have a Corporate Plan as there is little scope for other planned projects/schemes within the Parish, apart from activities at Seaton Holme where room hire is charged.
- 12.4. The Council holds a satisfactory amount of allocated and unallocated reserves.
- 12.5. The setting of the budget and precept for 2023/24 was initially discussed at the Council meetings of 13th November and in detail at the 11th December 2023 (which included a review of the fees and charges), and agreed at a Council meeting on 24th January 2024.

13. TENDERING PROCEDURE

- 13.1. There is a tendering procedure (including quotes) in place which is satisfactory by ensuring that at least 3 appropriate tenders/quotes are approached and there are several Members present at the

time of opening of the tenders/quotes.

During the year, the Council had 0 quotations or tenders to examine.

14. SECTION 137 PAYMENTS

- 14.1 . Any section 137 payments for the year had been checked and properly recorded for the year, paid and approved in the minutes.

15. RISK REGISTER

- 15.1. The Council's Corporate Risk Assessment is reviewed and approved with the statement of accounts Council meeting every year.

16 GOVERNANCE ARRANGEMENTS

- 16.1. Good Governance arrangements and Internal Control requires good policies and procedures in place, the Parish Clerk has a checklist to ensure that these are in place and reviewed when required.
- 16.2. In accordance with the Accounts and Audit regulations 2015, an Effectiveness of Internal Control Arrangements report, for 2022/23 has been completed and was submitted by the Parish Clerk at the 13th March 2023 Council meeting, which covers Internal Audit, Internal Control and Risk Management. The report on internal control for 2023/24 is to be completed and submitted with the statement of accounts.
- 16.3. Financial Regulations and Standing Orders were reviewed at the 9th May 2023 annual meeting.
- 16.4. The Council approves the annual accounts every year along with the Annual Governance Statement, - last year was 12th June 2023.
- 16.5. Exercise of Public rights was dated 13th June 2023 with inspection dates between 14th June and 26th July 2023, and placed on the Council's website.
- 17. Other**
- 17.1. Back up of the finance system is through the "cloud", and Rialtus back up system

OBSERVATIONS, RISKS AND RECOMMENDATIONS

18. My observations together with the associated risks are detailed in the action plan accompanying this report, if required. For each area where an observation is made, a recommendation and priority for action is attached.
19. I have categorised the importance of my recommendations as follows:
- Critical – A control weakness that may have a significant impact upon the achievement of, not only the system objectives, but also the organisation's objectives
 - High – A control weakness that may have a significant impact upon the achievement of the system objectives
 - Medium – A control weakness that may have an impact upon the achievement of the system objectives
 - Low – A control weakness that does not impact upon the achievement of the system objectives, however, the implementation of which would improve overall control
20. My review has highlighted 0 issues on the internal controls of the Council.

AUDIT ASSURANCE LEVEL

21. Based upon the above issue and the potential impact of the observation made, I can provide **Full Assurance** on the internal controls for 2023/24 This level of assurance is one of five possible levels which are shown in the table below.

Level of Assurance	Definition
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Full Assurance	There is a sound system of controls in place and those controls are consistently applied and are fully effective. Control objectives are fully met.
Substantial Assurance	There is a sound system of control in place but some of the controls are not consistently applied or fully effective. Control objectives are largely achieved.
Moderate Assurance	There is basically a sound system of control in place, but there are weaknesses and evidence of non-compliance with or ineffective controls. Control objectives are often achieved.
Limited Assurance	The system of control is weak and there is evidence of non-compliance with controls that do exist. Control objectives are sometimes achieved.
No Assurance	There is no system of control in place and control objectives are rarely or never achieved.

22. As discussed with the Parish Clerk it is recommended that additional assurances on the Councils Internal Controls are carried out on Accounts Payable and Income collection and banking procedures in October 2024.



Gordon Fletcher,
Internal Auditor to the Parish Council
Date: 22nd April 2024