

REPORT BY INTERNAL AUDITOR
THE ANNUAL AUDIT 2020/21 AND OTHER MANAGEMENT MATTERS
CORNSAY PARISH COUNCIL

BACKGROUND TO REPORT

Under the provisions of:-

- a) the Accounts and Audit Regulations 2015 Councils, and in accordance with
- b) the guidelines contained within the J.P.A.G. Document "The Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements

Councils, such as Cornsay Parish Council, should arrange for an independent and suitably qualified person to carry out an internal audit who, on the basis of an assessment of risk, should carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31st March.

The internal auditor is provided with a detailed checklist ("objectives of internal control") in the Annual Governance and Accountability Return (AGAR) 2015 to which he/she is asked to state if they Agree (YES), disagree (NO) or state N/A or Not Covered to each entry marked A-N on the checklist included in the return.

Such responses signify conclusions on whether, in all significant respects, each objective was being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Under the relevant sections of the Audit Commission Acts auditors are required to report any matters which should be given formal consideration by the body or brought to the attention of the public.

CARRYING OUT THE AUDIT

As a result of the Coronavirus lockdown I contacted the Clerk of the Council by email and SKYPE at various times during the period 24th and 27th May 2021.

As the discussions took place over the internet I could not examine all relevant documents at first hand so as for 2019/20 my findings are based on a series of random selections.

The purpose of the contact was to examine the year end accounts for 2020/21 in accordance with the guidelines set down by the Audit Regulations and to look forward to 2021/22.

I was advised that on this occasion the annual return was based on receipts and payments.

The Clerk has also prepared a range of additional documents to be sent to the external auditor with this in mind and in compliance with the AGAR guidelines.

BUDGET 2020/21

The out-turn figures compared with the basic budget forecast were within reasonable parameters of the original budget excepting for the insurance which was £500 underspent even though additional provision had been made in case the cost for the draw well increased the premium which it did not.

Where appropriate, a detailed note of any notifiable variations will be prepared by the Clerk as part of any papers to be submitted to the external auditor.

RECEIPTS

Precept for 2021/22

Following a detailed report to the Council on 13th January 2021, the Council resolved to increase the precept by around 2% for 2021/22 (from £17,327 to £17,624 both amounts including the LCTSS grant).

The Council Tax Base figure reduced slightly from 272.00 to 269.60 and as a result of the increase in Precept the Band D figure increased by around 2% from £60.15 to £61.35.

I took the opportunity to inspect the report to the Council setting out the Precept options for 2021/22 and found it to be of a very comprehensive nature.

Recovery of VAT

I was advised that all payments involving vat for the balance of 2019/20 and up to 31st March 2021 had been claimed.

I carried out a selective check on any vat charged and found these in order and that they had been claimed from HMRC.

I have asked the Clerk that in future he indicates any vat charged when presenting the schedule of payments to the Council.

Grants from the Wind Farm (CDCF)

I was advised that no grants had been made to the Council during 2020/21.

PAYMENTS

Donations

I was advised that no requests were received in 2020/21.

Invoices

From the random selection made all accounts appear to have been referred to the Council for approval and were in keeping with a previous authority to incur such expenditure.

BALANCES

The balances to be carried forward from 2020/21 are £15,781 compared with £27,998 for the year end 2019/20. The main reason for this significant reduction is for the major works carried on the Draw Well which has been well documented in previous reports.

Out of these balances the following are ring fenced/carried forward items:-

£1,000 for work proposed in the Community Centre Kitchen
£2,000 towards the cost of making the Centre more covid-19 secure
£7,500 to cover a range of matters, eg repairs/replacement of play equipment, the draw well, fences, community centre repairs such as boiler breakdown.

In summary the net balances appear to be in the region of £5,250 equating to approx 3 months of the Council's normal running costs which is within the guidelines but at the lower end.

LONG TERM PLANS

I understand that this was discussed at the recent Annual Meeting it was agreed to consult with the residents associations etc before formulating its long term plans.

PAYE

I understand that the Council continues to submit the Real Time Information payments required by the HMRC with no issues arising.

EXPENDITURE GREATER THAN £500

I understand that this information is easily extrapolated from the Council's website and at the moment it is not a mandatory requirement for Councils within the £25,000 to £200,000 parameters set down under Transparency Code introduced by the then Ministry of Housing, Communities and Local Government from 1st April 2015 .

INSURANCE

I was advised that the Council's existing policy was renewed 1st June 2019 and following the receipt of competitive quotations the contract was offered on a 3 year long term agreement to AXA.

I understand that the premium for 2021 was slightly higher than for 2020 which reflects a small inflation factor and the substantial cover which is now in place for the draw well (following the major works on the structure) and some new furniture for the Community Centre.

The Fidelity Guarantee Cover

The Fidelity Guarantee Cover is £150,000 which is likely to be adequate for several years unless the Parish Council takes on another major project.

I also understand that there were no insurance claims made by the Council in 2020/21.

Business Interruption

Although the Council has cover in place for possible Business Interruption I was advised that so far this has not arisen during the current Pandemic period.

CLERK'S SALARY AND TERMS AND CONDITIONS

I understand that the Clerk's terms and conditions have been reviewed and his salary adjusted in accordance with the NALC pay settlement for Local Authority Employees.

TENDERS/QUOTATIONS

Grounds Management contract

I was advised that there was one contract where tenders were invited during 2020/21 which was for the Council's grounds management work. I understand that 5 contractors were approached and 2 actually submitted tenders for the work.

The arrangement in dealing with this tender was not in accordance with the Council's Financial

Regulations due to the coronavirus pandemic but did comply with the Council's emergency arrangements.

In the circumstances it was agreed at a meeting held on 3 March 2021 that any quotations received should be circulated by email for a decision to be made so that the contract could be in place for the start of the season.

The Clerk advised me that all contractors were given until 4.00pm on 12th March 2021 to submit tenders following which he immediately emailed his recommendation (with names redacted) to Councillors to accept the lowest tender which was within the range of prices anticipated.

No objections were received to this recommendation by any Councillor.

The lowest price (from the existing contractor) was accepted by the Clerk and has now been awarded to Makepeace Landscapes for a 1 year period with the possibility of an extension for a further year.

I understand that the pricing schedule is only marginally higher than previously paid by the Council to the same contractor.

The Clerk has advised me that he will report back formally on the action taken when the Council meets at its next ordinary meeting.

Cleaning contract

I raised the question of the current cleaning contract with the Clerk and was advised that this will be reviewed by the Council once it is in a position to serve the required 12 months notice in April 2022 to end the contract in April 2023. Taking action earlier could invoke a penalty clause being issued by the current contractor, Durham County Council.

BANKING ARRANGEMENTS

I understand that the Clerk is continuing discussions with Barclays Bank to set up online Banking with dual authorisation.

USE OF PERSONAL DEBIT CARD BY THE CLERK

I was advised that the Clerk used his card on two occasions (once for a £30 transaction and the other for around £130) and was reimbursed shortly thereafter.

PETTY CASH

The Parish Clerk has access to petty cash of up to £100. Occasionally funds have to be transferred to bring the balance up to the authorised limit.

The Clerk showed me a page from the petty cash book and I noted several instances where this had been accessed for the purchase of stamps etc for Council business.

NEW HAMSTEELS COMMUNITY HALL

Funding for this project is at an end and that following a limited opening of the premises some groups were returning and it is hoped that attendances will improve further once all lockdown is further eased after 21 June 2021.

Some funding remains from a National Lottery grant which are earmarked for improvements to the kitchen area (£1,000), making the premises more covid secure (£2,000) and included in the

Council's general contingency fund of £7,500 some possible repairs to the Community Centre.

OTHER MATTERS

MINUTES

I carried a random check on the minutes of a Meeting being signed and dated by the Chairman and found this to be in order.

POLICY STATEMENTS

Risk Assessment

I understand that the Clerk has continued to monitor the Council's Risk Assessment procedures and the policy was approved by the Council at a Meeting held on 28th April 2021.

Asset Register

I understand that the Clerk has continued to monitor the Asset Register which was approved by the Council at a Meeting held on 28th April 2021.

There were some changes to the Register including the new furniture provided to the Community Centre. In accordance with the relevant JPAG document the values of most items remain as the original historical cost.

The draw well is still valued as £1 as it has no real monetary value. The furniture has been added to the asset register at the purchase price with the total value of all assets being increased by that amount.

Financial Risk Assessment

I have noted the Council's financial regulations continue to be based on the NALC model and that these are reviewed by the Council when NALC issues an update.

The current assessment was adopted by the Council at its Meeting held on 28th April 2021 subject to very minor changes.

Review of the Effectiveness of Internal Audit

I understand that the Clerk has continued to monitor the Council's Review of the Effectiveness of Internal Audit which was approved by the Council at a Meeting held on 28th April 2021.

The General Data Protection Regulations

The Council has adopted the Regulations.

THE DRAW WELL

I was advised that repair work has now been completed and that the architect had confirmed satisfactory completion of the work and issued the final payment certificate before the invoice from HPRC was paid.

PATS

I understand that the television owned by the Council was PAT tested on 5th March 2021 as part of a check for other items in the Community Centre owned by the Community Association.

CHEQUE COUNTERFOILS

From a random check all counterfoils appear to have been initialled by 3 authorised signatories, as required under the Council's financial regulations.

I also checked some invoices, the cheques issued and the relevant entry on the bank statement. These were all in order.

PLAYGROUND INSPECTIONS

I was advised that the annual inspection had been carried out by Wicksteeds and that only a couple of minor issues had been identified.

Wicksteeds continue to recommend that the play on the village green at Cornsay be fenced off in order to prevent dog fouling. The Clerk advised me that he had consulted the County Council on this matter some years ago but was advised that this is not possible owing to the area being part of the Village Green.

It might be advisable to advise the Council's Insurers on this point.

In understand that 2 local residents continue to carry out weekly inspections which are logged.

MATTERS REQUIRING ATTENTION

- a) Itemise any vat paid on invoices reported to the Council
- b) To report on the action taken with the grounds management contract
- c) Review the cleaning contract at the appropriate time
- d) To continue discussions with Barclays Bank with the view to facilitating on line banking

THE RESPONSE TO THE AUDIT FOR 2020/21

Following a detailed discussion with the Clerk, and having reviewed a range of documents and other records, I came to the conclusion that I could response **YES or NOT COVERED** where appropriate to each of the objectives identified by the external Auditor.

However as indicated on the Annual Internal Audit Report 2020/21 I need to comment on the NOT COVERED boxes as follows.

Box K

The Authority had a limited assurance review for the year 2019/2020 - this area was therefore not covered by internal audit.

Box L

I have ticked the Box stating Not Covered as the Council's turnover exceeded £25,000.

However I have been advised that the information required by the code is available on the website in the interests of transparency.

I would hope that this should explain why it's not been covered.

QUALIFICATIONS ON THE AUDIT

My report is based on a limited review of the Council's accounts and is not a full audit and should not be taken as approving the Council's accounts 2020/21.

The purpose of this report is to be satisfied that the Council has adequate systems in place to meet the numerous control objectives sought by the External Auditor and to recommend possible improvements to the Council's existing systems.

M. G. Ackroyd
Internal Auditor

31st May 2021