

## **REPORT BY INTERNAL AUDITOR**

### **THE ANNUAL AUDIT 2022/23 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-O 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 ongoing Coronavirus pandemic I discussed the audit with the Clerk by email and SKYPE at various times during the period 28<sup>th</sup> April and 2<sup>nd</sup> May 2022.

I was advised that the Annual Return was due to be submitted by 30<sup>th</sup> June 2022.

As the discussions took place over the internet I could not examine all relevant documents at first hand so as for 2020/21 my findings are based on a series of random selections.

Before commenting on the audit a few words about:-

#### **THE TRANSPARENCY CODE FOR SMALLER AUTHORITIES**

As the Council's "turnover" for 2021/22 was under £25,000 then it is covered by the Code. Full details of the Code can be seen on the Council's website.

Being within the Code some of my responses are dictated by this in particular to my response to Internal Control Objective L

#### **BUDGET 2021/22**

The out-turn figures for both receipts and payments were both within reasonable parameters of the original budget adopted by the Council at its Meeting held on 13<sup>th</sup> January 2021 excepting for an underspend of £400 for possible Election costs in connection with the Parish Council elections in 2021. As it happened an election was not required in Cornsay.

## **Receipts**

Other than the Precept and LCTSS Grant received from the County Council the main source of other receipts was VAT

## **VAT**

The Council has continued with its policy of recovering 12 months payments from HMRC in one claim at the end of the financial year.

As the amounts are not usual very significant I have not seen this as a major issue but have advised the Clerk that should any particularly large amounts be involved these should be claimed immediately.

I was advised that the claim for 2020/21 was refunded early into 2021/22 and that the claim for all vat paid by the Council during 2021/22 should be refunded shortly.

I carried out a selective check on vat charged on 3 invoices and found these in order and that they had been claimed from HMRC.

I noted that the Clerk is now indicating any vat to be paid when quoting 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**

### **Invoices**

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

### **Donations**

I was advised that 3 donations had been agreed at the Parish Council Meeting held on 23<sup>rd</sup> September 2021 in the sum of £200 each to the 3 residents associations in the Parish. The minute confirming these donations should state the power used to make such donations.

The Clerk should arrange for this to be corrected at a future meeting of the Council.

## **END OF YEAR BALANCES**

The balances to be carried forward from 2021/22 to 2022/23 are £15,868 compared with £15,781 for the year end 2020/21 cf to. In other words an almost balancing budget.

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 £5,368 equating to approx 3/4 months of the Council's normal running costs which is within the External Auditor's guidelines but at the lower end.

## **LONG TERM PLANS**

Other than the projects listed above in the end of year balances section the Council is in discussions with the AAP for some environmental improvements to Western Avenue in Esh Winning and new play equipment for the Cornsay Village play area.

## **GENERAL MANAGEMENT MATTERS**

### **PAYE**

I understand that this continues to be paid monthly ly by cheque with no issues raised to this by HMRC.

### **EXPENDITURE GREATER THAN £100**

Any expenditure made by the Council can be found on the Council's website

### **INSURANCE**

#### ***Policy***

I was advised that the Council's existing policy is to be renewed 1<sup>st</sup> June 2022 and competitive quotes are likely to be sought. If no quotations are received then the Council might wish to consider waiving the relevant clause in its and invite the existing Insurer to continue with its existing cover.

#### ***The Fidelity Guarantee Cover***

The Fidelity Guarantee Cover is £150,000 which is more than 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 or against the Council in 2021/22.

#### ***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 understand that the 1 year existing contract comes to an end shortly but discussions are taking place with Makepeace Landscapes to discuss a possible extension for a further year as per the original agreement.

#### ***Cleaning contract***

I understand that there are certain issues in terminating this contract and it is possible that the Council might wish to continue with the current contractor, Durham County Council.

If that is the case the Council should proceed on the basis that it is using its Financial Regulations [11 CONTRACTS clause (3) refers] and state the reason in the minutes why it wishes to continue the existing contract with the County Council.

#### ***General comment on future Contracts***

I appears that some Council's, including Cornsay, are experiencing difficulties in obtaining competitive quotes from contractors.

In the event of this happening, and the Council is faced with negotiating directly with a single contractor for a service exceeding £1000 plus vat, then it might wish to consider using the procedure outlined in the *Cleaning contract* paragraph above.

## **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 one occasion to make a payment for £66.20 which was required immediately by HMRC. I understand that the Clerk was reimbursed immediately by cheque by the Council.

## **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**

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. These amounts are reflected in some of the calculations referred to elsewhere in this report.

I understand that bookings for the use of the Hall, which is managed by Hamsteels Community Association, have been picking up recently and are only slightly below pre-covid levels.

## **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. I did note a few very minor mistakes in the minute which I drew to the Clerk's attention.

I also suggested to the Clerk that his name should be included in the minutes as an attendee.

### **PLANNING**

I suggested that on the agenda/minutes he should include the planning reference of any planning application/approval/refusal which has been reported to the Council.

## **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 19<sup>th</sup> January 2022 with some minor rewording.

### ***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 19<sup>th</sup> January 2022 with no changes made.

### ***Financial Risk Assessment***

I understand that the Clerk has continued to monitor the Risk Assessment policy which was approved by the Council at a Meeting held on 19<sup>th</sup> January 2022 with no changes made.

## ***Review of the Effectiveness of Internal Audit***

I understand that the Clerk has continued to monitor this Review which was approved by the Council at a Meeting held on 19<sup>th</sup> January 2022 with no changes made.

## ***Code of Conduct***

The Council adopted the Code drawn up by the County Council at the Parish Council Meeting held on 19<sup>th</sup> January 2022

## ***The General Data Protection Regulations***

The Council has already adopted the Regulations.

## **THE DRAW WELL**

Work completed and apparently welcomed by the residents of Cornsay village.

## **PATS**

I understand that the television owned by the Council was PAT tested on 11<sup>th</sup> February 2022 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 any minor issues identified had already been dealt with.

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

## **IT ACCOUNTING SOFTWARE**

I am aware that the Clerk spends a considerable amount of time in preparing various financial documents required at both Council Meetings and for the audit process.

In order to assist the Clerk in this respect the Council might wish to consider purchasing specific software to assist with both the financial management and VAT reclaims on behalf of the Council.

## **A NOTE ON THE 2022/23 BUDGET /PRECEPT PROCESS**

### ***Budget/Precept for 2022/23***

The precept for 2021/22 resulted in a band D equivalent of £61.35 per annum.

At a Parish Council Meeting held on 19<sup>th</sup> January 2022 it was agreed to increase the Precept slightly from £17,624 to £17,750 for 2022/23. Once adjusted for other factors, this results in the band D properties remaining at the amount of £61.35 per annum.

I took the opportunity to inspect the report to the Council setting out the Precept options for 2022/23 and found it to be of a very comprehensive nature.

## **MATTERS REQUIRING ATTENTION**

- a) To include the application number details in any planning application etc referred to the Council.
- b) With reference to the donations made to the 3 local residents associations the Clerk to report the power to make these donations at a future meeting of the Council.
- c) If offering a contract, without seeking competitive quotes for any work likely to cost in excess of £1,000 net of vat, the Council should be satisfied that it has the power to do so under the power it might have under its Financial Regulations [11 CONTRACTS clause (3) refers].
- d) To continue discussions with Barclays Bank with the view to facilitating on line banking.
- e) To consider the purchase of specific software to assist with both the financial management and VAT reclaims on behalf of the Council.

## **THE RESPONSE TO THE AUDIT FOR 2021/22**

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.

As requested on indicated on the Annual Internal Audit Report 2020/21 I would 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 the internal audit and would comment as follows:-.

***I HAVE TICKED THE NOT COVERED BOX AGAINST OBJECTIVE K AS THE COUNCIL DID NOT NEED TO CONSIDER CERTIFYING ITSELF AS EXEMPT FROM A LIMITED ASSURANCE REVIEW FOR THE 2020/21 AUDIT AS ITS THEN TURNOVER WAS BETWEEN £25,000 AND £200,000.***

***AS THE TURNOVER FOR 2021/22 WAS UNDER £25,000 IT WAS COVERED BY THE CODE WHICH I HAVE BEEN ADVISED HAS OBSERVED BUT THE COUNCIL IS STILL MINDED TO SEND IN ALL THE USUAL DOCUMENTS TO THE EXTERNAL AUDITOR.***

### **As to Box L**

I have ticked the YES Box and would add a comment that:-

***I HAVE TICKED THE YES BOX AGAINST OBJECTIVE L AS WHETHER THE COUNCIL DOES ,OR DOES NOT CERTIFY ITSELF AS EXEMPT FROM A LIMITED ASSURANCE , IT DOES HOWEVER STILL COMPLY WITH ALL THE REQUIREMENTS OF THE CODE AND THAT I HAVE BEEN ADVISED THAT ALL THE RELEVANT INFORMATION IS AVAILABLE ON THE COUNCIL'S WEBSITE.***

***I HAVE CARRIED OUT A RANDOM CHECK ON THE COUNCIL'S WEBSITE AND FOUND THAT THE INFORMATION I WAS LOOKING FOR WAS AVAILABLE.***

## **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 2021/22.

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

2<sup>nd</sup> May 2022