

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

I discussed the audit with the Clerk by email and SKYPE at various times during the period 22nd May to ??? May 2023.

I was advised that the Annual Return was due to be submitted by 30th June 2023.

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

BUDGET 2022/23

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 19th January 2022 excepting for a significant underspend on some environmental issues.

As for previous audits several items have been carried forward as earmarked reserves (details below).

Receipts

Other than the Precept, and the LCTSS Grant received from the County Council, the main source of other receipts was VAT which amounted to £1,748. This had been carried forward from 2022/23.

VAT

The Council has continued with its policy of recovering 12 months of vat payments from HMRC in one claim at the end of the financial year. The total amount for 2022/23 was £4,496.81 which should be refunded in early 2023/24.

As the amounts are not usually very significant I have not seen recovering vat annually a major issue. However I have advised the Clerk that should any large amounts be involved these should be claimed immediately from HMRC if the Council's bank interest rates are high.

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 a grant of £5,000 to the Council during 2022/23. This was the first such grant received in several years.

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 4 donations had been agreed during the year to 3 residents associations and the Bearpark and Esh Brass Band amounting to £800 in total.

Unless already included the minutes should state the power used to make a donation.

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

END OF YEAR BALANCES

The balances to be carried forward from 2022/23 to 2023/24 are £26,082 compared with £15,868 for the year ending 2021/22.

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

Cornsay play equipment	£6,385
AAP contribution for new lights to the Community Centre	£4,452
CPC contribution towards the lights inc solar panels	£3,170
General contingencies eg repairs/replacement of play equipment, the draw well, fences, community centre repairs such as boiler breakdown.	<u>£7,500</u>
	£21,507

In summary the net balances appear to be in the region of £26,082 - £21,507 = £4,575 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.

I would add however that the amount of ring fenced/carried forward items is significant and I would hope that this is reduced considerably before the next audit as it is possible that the External Auditor might wish to comment on this.

WORKS UNDERTAKEN DURING 2022/23

The main project during the year was the installation of the new play equipment in Cornsay Village play area. Work was also undertaken at Cornsay Colliery park to remove sleeper edging and seating areas and to level and grass the areas to remove the need for potential extensive repair.

LONG TERM PLANS

Cornsay play area has now been completed.

The Council is in discussion with Mid Durham AAP regarding potential environmental improvements in and around Western Avenue, Esh Winning and also the installation of solar panels to the community centre to improve sustainability.

GENERAL MANAGEMENT MATTERS

PAYE

I understand that this continues to be paid monthly 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 1st June 2023 and competitive quotes have been sought.

The Fidelity Guarantee Cover

I understand that the Fidelity Guarantee Cover under the new cover is still £150,000.

Claims

I also understand that there were no insurance claims made by or against the Council in 2022/23.

Business Interruption

The Council has cover in place for possible Business Interruption.

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 @ £1 an hour with effect from April 2022.

TENDERS/QUOTATIONS

Grounds Management contract

The 1 year existing contract has now come to an end and the Council has agreed to extend the contract for 1 year in accordance with a previous agreement with the contractor, Makepeace.

Cleaning contract

I understand that there are certain issues in terminating this contract and the Council has now continued with the current contractor, Durham County Council but the Council intends to give 1 year's notice in March 2024.

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.

Whilst on this subject I noted that clause (3) above should read clause (iii). The Clerk to make the amendment in the Council's Regulations.

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 currently in discussions with Virgin Money to improve access to cash.

USE OF PERSONAL DEBIT CARD BY THE CLERK

I was advised that the Clerk used his card on two occasions, namely print cartridges (£81.84) and a pre planning application fee of £30.00 were 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

Works on the community hall, kitchen and covid secure areas are now complete. The remaining funds for the community centre have been allocated towards the cost of replacing the existing lighting with more efficient LED and solar panels for the building to improve sustainability. The amount is included as the £3170 referred to under END OF YEAR BALANCES above.

I understand that bookings for the use of the Hall, which is managed by Hamsteels Community Association, continue to improve and I understand that they are now slightly above 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 minutes as follows:-

Meeting 04.05.22 Minute No 122 - the date should be 6th April 2022
Meeting 06.06.22 Minute No 6 - (b) (i) and (ii) cheque Nos 1271 and 1272 are repeat items
Meeting 26.10.22 Minute No 57 - (a) (vii) should read £94.41
Meeting 25.01.23 Minute No 92 - (a) (iv) should read .. pre planning application...
Meeting 20.02.23 Minute No 110 - (b) (v) cheque No should be 1307

which I have drawn to the Clerk's attention.

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

POLICY STATEMENTS

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 25th January 2023 with no changes made. Minute No 95

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 25th January 2023 with some minor rewording. Minute No 96

Financial Risk Assessment

Is part of the full Risk Assessment which was reviewed at the meeting on 25th Jan 2023. Minute No 96.

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 25th January 2023 with no changes made. Minute No 97

Code of Conduct

The current Code of Conduct was adopted by the Parish Council at its Meeting held on 28 June 2021 – Minute No 26.

PATS

I understand that the television owned by the Council was PAT tested on 10th February 2023 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 in March 2023 and any minor issue identified and now in hand.

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

A NOTE ON THE 2023/24 BUDGET /PRECEPT PROCESS

Budget/Precept for 2023/24

2022/2023 (set at the Parish Council Meeting on 19th January 2022 – Minute No 93 refers)

Tax Base	274.4
Band D	£61.35
Precept	£16,834
LCTSS	<u>£ 916</u>
Total	£17,750

2023/2024 (set at the Parish Council Meeting held on 30th November 2022 – Minute No 84)

After receiving a detailed report on the Council's finances setting out a range of options it was agreed to note/adopt the following amounts.

Tax Base	273.7
Band D	£61.35
Precept	£16,791
LCTSS	<u>£ 1,033</u>
Total	£17,824

MATTERS REQUIRING ATTENTION

- a) 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.
Whilst on this subject I noted that clause (3) above should read clause (iii). The Clerk to make the amendment in the Council's Regulations.
- 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) To note the changes outlined under OTHER MATTERS – MINUTES
- d) To monitor the level of Reserves and Contingencies which are now quite significant.

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 2022/23 I would comment on the NOT COVERED boxes as follows:-

Box K

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 2021/22 audit as its then turnover was between £25,000 and £200,000.

As to Box L

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 2022/23.

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

May 2023