

Annual Internal Audit Report 2020/21

Shincliffe Parish Council

www.shincliffeparishcouncil.co.uk

During the financial year ended 31 March 2021, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2020/21 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates 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 this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), 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. (If the authority had a limited assurance review of its 2019/20 AGAR tick "not covered")			✓
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.			✓
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 (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2019/20 AGAR (see AGAR Page 1 Guidance Notes).	✓		
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

19/05/2021

Name of person who carried out the internal audit

Gordon Fletcher (C.M.I.I.A.)

Signature of person who carried out the internal audit



Date

22/05/2021

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

INTERNAL AUDIT REPORT SHINCLIFFE PARISH COUNCIL 2020/2021 - ANNUAL RETURN

1 Background

- 1.1** Following the abolition of the Audit Commission a new organisation has been established which is responsible for issuing proper practices in relation to the accounts of smaller authorities. It is called the Smaller Authorities Proper Practices Board (SAPPB), and is made up of members of the SLCC, NALC, CIPFA, the Department of Housing, Communities and Local Government (DHCLG), the Department of Environment, Food and Rural Affairs (DEFRA), the National Audit Office and a representative of the external audit firms appointed to smaller authorities
- 1.2.** Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 must complete part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. The AGAR is made of various sections along with an annual internal audit report, which is to be completed by the Parish Council's independent internal auditor, who is to give an opinion of the Parish Council's internal controls.
- 1.3.** CDALC have provided Councils with a checklist to be used, this annual audit uses this list as the minimum of the tests to be carried out.

2 Objectives of the Audit

- 2.1.** To examine the system of internal controls to ensure that the Parish Council may obtain an adequate level of assurance for its activities.

3 Scope of the Work and the areas of Audit Work examined.

- 3.1** The Scope of Work covers the control tests identified in the Internal Audit part of the AGAR.
- 3.2.** To properly complete the audit the following areas of activity have been examined and tested by Internal Audit:
- Payroll
 - Accounts Payable, including petty cash
 - Governance/Risk Management
 - Income collection and Banking arrangements
 - Accounting records,
 - Assets
 - Debtors
 - Budgetary Control (including year end procedures)
 - Exercise of Public Rights
- 3.3.** The audit findings of this report have been discussed with the Clerk of the Council and any audit recommendations have been agreed with her.

4 Findings

4.1 Payroll

- 4.1.1** The Parish Council has 1 employee (Clerk) who works standard hours and is paid each month according to NJC payscales. A payment voucher is completed for Members to confirm salary and tax payments.

- 4.1.2.** All payroll information was checked for the year 2020/21, and the payments were found to be correct, with a supporting payment voucher of file.

4.2 Accounts Payable

- 4.2.1.** There are no separation of duties at Shincliffe Parish Council as the Clerk is the only Officer responsible for Finance and Administration. However, compensating checks are carried out by Members who sign the cheques with a record of all details of expenditure shown in the Council's

minutes. This was amended (legislation change) so that 1 signatory (the Chair, if absent one other signatory) can sign cheques, 2 signatories required over £500, and the Financial Regulations were updated to reflect this.

Due to COVID-19 the Clerk reported that advice had been received from CDALC regarding the delegation of decision making to the Clerk (in consultation with the Chairman and Vice-Chairman) to ensure that the Parish Council remained functional.

- 4.2.2. Payment vouchers are completed showing details of payments where no invoice/receipts are required, such as salaries and payments agreed in the minutes.
- 4.2.3. I checked all payments amounts and the associated records for the year 2020/21 and these were found to be properly recorded on the expenditure spreadsheet, and approval of accounts in the minutes, although cheque numbers are not shown in the minutes I understand that these are monitored by the Clerk and Finance Committee.
- 4.2.4. Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council or committee shall be signed by one member of council (payments up to £500.00 and payments over £500.00 by two members).
Financial Regulations 6.5. state that to indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatory shall also initial the cheque counterfoil.
- 4.2.5. All donations paid had been agreed by the Council prior to payment being made and were properly recorded as Section 137 payments on the payment voucher and expenditure spreadsheet.
- 4.2.6. Petty cash is held by the Parish Clerk and receipts obtained and recorded.
- 4.3. Governance/Risk Management
 - 4.3.1. The Council has a Risk Management Scheme which was approved at the 25th March 2021 Council meeting, along with the effectiveness of internal control report.
 - 4.3.2. As previously recommended a Finance Committee has been set up with responsibility to review budgetary control, financial matters including Standing Orders, Financial Regulations, Policies and Procedures, etc. which will improve the Governance arrangements of the Council. Due to the Pandemic only Council meetings took place during the year.
 - 4.3.3. Standing Orders and Financial Regulations were reviewed in March 2019 and approved at the 17th April 2019 Council meeting. As with other Councils and due to the Pandemic these have not been reviewed and the previous Standing Orders and Financial Regulations still apply, although Standing Orders were amended at the 28th May 2020 meeting to reflect the situation with Covid
 - 4.3.4. The Exercise of Public Rights for 2019/20 was announced on 28th August 2020 with the inspection period between 28th August and 9th October 2020 and was placed on the website.
- 4.4. Income collection and Banking arrangements
 - 4.4.1. Income received is from the precept, grants and vat reclaim, and is recorded on the income and expenditure spreadsheet.
 - 4.4.2. It was found that all income received for the year was received and properly recorded on the income spreadsheet.
 - 4.4.3. Vat income was received on 2nd April 2020 and 5th January 2021.
 - 4.4.4. Financial Regulations 2.2. state that on a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman (or a cheque signatory) shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. On

examining this it was observed that when bank reconciliations are carried out monthly, the Clerk and the Chair signs the bank statements.

4.5. Accounting Records

4.5.1. All income and expenditure (including vat) was properly recorded on a spreadsheet and the Clerk carries out regular bank reconciliations.

4.5.2. The petty cash held was correctly shown in the accounts with the bank balances and cash held at the end of the year reconciled to the income and expenditure spreadsheets. (Cash Book).

4.6. Security/Assets

4.6.1. The register of assets is reviewed every year when the statement of accounts is approved.

4.6.2. There appears to be adequate insurance cover for all assets of the Council.

4.7. Debtors

4.7.1. There are no accounts raised for debts.

4.8. Budgetary Control

4.8.1. The budget for 2021/22 was initially considered by the Council on 10th December 2020 with a view of discussing the precept and budget, which was agreed at the 21st January 2021 Council Meeting.

4.8.2. Due to the Pandemic budget monitoring (Financial position) for 2020/21 was carried out during the Budget update on 10th December 2020.

5. Conclusions

5.1. All of the key controls contained within the internal audit part of the annual return were examined and these were found to be working well.

6. Recommendations

6.1. There are no recommendations for this audit.



Gordon Fletcher (C.M.I.I.A.)

Internal Auditor

Date: 20th May 2021

Section 1 – Annual Governance Statement 2020/21

We acknowledge as the members of:

Shincliffe Parish Council

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2021, that:

	Agreed		
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓		<i>'Yes' means that this authority:</i> <i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	✓		<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		<i>responded to matters brought to its attention by internal and external audit.</i>
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.	✓		<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A
			✓

*Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.

This Annual Governance Statement was approved at a meeting of the authority on:

ITEM 15 OF 24/06/21

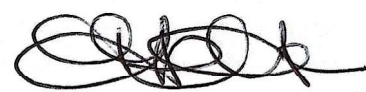
and recorded as minute reference:

ITEM 15.

Signed by the Chairman and Clerk of the meeting where approval was given:

Chairman

Clerk

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Section 2 – Accounting Statements 2020/21 for

Shincliffe Parish Council

	Year ending		Notes and guidance
	31 March 2020 £	31 March 2021 £	
1. Balances brought forward	17,369	57,514	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2. (+) Precept or Rates and Levies	22,300	24,535	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	55,057	8,919	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs	5,014	6,627	Total expenditure or payments made to and on behalf of all employees. Include gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).
6. (-) All other payments	32,199	68,124	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	57,513	16,217	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).
8. Total value of cash and short term investments	57,513	16,217	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.
9. Total fixed assets plus long term investments and assets	25,563	25,568	The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.
10. Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council, as a body corporate, acts as sole trustee for and is responsible for managing Trust funds or assets.
		✓	N.B. The figures in the accounting statements above do not include any Trust transactions.

I certify that for the year ended 31 March 2021 the Accounting Statements in this Annual Governance and Accountability Return have been prepared on either a receipts and payments or income and expenditure basis following the guidance in Governance and Accountability for Smaller Authorities – a Practitioners' Guide to Proper Practices and present fairly the financial position of this authority.

Signed by Responsible Financial Officer before being presented to the authority for approval



23/06/21

Date

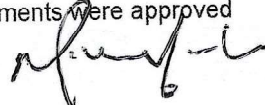
I confirm that these Accounting Statements were approved by this authority on this date:

24/06/21

as recorded in minute reference:

ITEM 16 of 24/06/21

Signed by Chairman of the meeting where the Accounting Statements were approved



Section 3 – External Auditor’s Report and Certificate 2020/21

In respect of

Shincliffe Parish Council

1 Respective responsibilities of the auditor and the authority

Our responsibility as auditors to complete a **limited assurance review** is set out by the National Audit Office (NAO). A limited assurance review is **not a full statutory audit**, it does not constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and hence it **does not** provide the same level of assurance that such an audit would. The UK Government has determined that a lower level of assurance than that provided by a full statutory audit is appropriate for those local public bodies with the lowest levels of spending.

Under a limited assurance review, the auditor is responsible for reviewing Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with NAO Auditor Guidance Note 02 (AGN 02) as issued by the NAO on behalf of the Comptroller and Auditor General. AGN 02 is available from the NAO website – <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>.

This authority is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The authority prepares an Annual Governance and Accountability Return in accordance with *Proper Practices* which:

- summarises the accounting records for the year ended 31 March 2021; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

2 External auditor’s limited assurance opinion 2020/21

(Except for the matters reported below)* on the basis of our review of Sections 1 and 2 of the Annual Governance and Accountability Return, in our opinion the information in Sections 1 and 2 of the Annual Governance and Accountability Return is in accordance with Proper Practices and no other matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*delete as appropriate).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the authority:

(continue on a separate sheet if required)

3 External auditor certificate 2020/21

We certify/do not certify* that we have completed our review of Sections 1 and 2 of the Annual Governance and Accountability Return, and discharged our responsibilities under the Local Audit and Accountability Act 2014, for the year ended 31 March 2021.

*We do not certify completion because:

External Auditor Name

External Auditor Signature

Date

**Bank Reconciliation
Shincliffe Parish Council
Financial year ending 31 March 2021**

Prepared by Patricia J Embleton, Clerk & RFO Date 10/05/2021

Balance per bank statements as at 31 March 2021:	£	£
HSBC Community Account	6595.14	
HSBC BMM Account	5979.21	
NS&I Investment Account	7868.00	
	20442.35	
Petty cash float (if applicable)	0.00	
Less: any unpresented cheques at 31 March 2021		4225.17
Cheque number		
150.00 Previous 1,100.17	103294	
30.36 102967 164.50	103295	
500.00 Cancelled chq 42.00	103296	
30.36 103016 105.00	103298	
290.00 Cancelled chq 50.00	103299	
30.36 Previous 300.00	103300	
100.00 103134 13.00	103301	
100.00 103171 176.63	103305	
75.00 103180 169.77	103306	
55.00 103271 109.66	103308	
250.00 103286		
	16217.18	
Add: any un-banked cash at 31 March 2021		0.00
Net balances as at 31 March 2021		16217.18

The net balances reconcile to the Cash Book (receipts and payments account) for the year, as follows:

CASH BOOK

Opening Balance 1 April 2020	57513.63	
Add: Receipts in the year	33454.57	
Less: Payments in the year		74751.02
Closing balance per cash book [receipts and payments book] as at 31 March 2021 (must equal net balances above)		16217.18

Explanation of significant variances in the accounting statements

Shincliffe Parish Council

Section 2	2019/20 £	2020/21 £	Variance (+/-) £	Detailed explanation of variance (for each reason noted please include monetary values (to nearest £10)
Box 2 <i>Precept</i>	22300	24535	+10.02% +£2235	
Box 3 <i>Other income</i>	55057	8919	-83.8% -£46138	Reduction in income from grants that were received in 19/20 for Play Park refurbishment.
Box 4 <i>Staff costs</i>	5014	6627	+32.16% +£1613	Increased working hours from 9 to 12 hours/week Handover preparations for incoming Clerk (March 2021)
Box 5 <i>Loan interest/ capital</i>	0	0	0	
Box 6 <i>Other payments</i>	32199	68124	+111.57% +£35925	Payment G£47890 to contractor for groundworks, equipment and completion of Play Area in Shincliffe Village.
Box 7 <i>Balances carried forward</i>	57513	16217	-71.80% -41296	Additional expenditure incurred for play park refurbishment as per Box.6
Box 9 <i>Fixed assets & long term assets</i>	25563	25568	+£5	New printer purchased at £85.00 to replace disposed printer £80.
Box 10 <i>Total borrowing</i>	0	0	0	

Shincliffe Parish Council
Confirmation of contact details

Clerk's name: Resigned 25/06/2021 Please contact the chairman	RFO's name (if not clerk):	Chair's name: Michael Banks
Clerk working hours:	See Clerks Details	
Parish Council registered address:		Chair contact address: 2 Robson Terrace Shincliffe Village Durham DH1 2NL
Telephone: Primary contact number:		Telephone: Primary contact number: 0191 3840183 Mobile/Alternative number: 07764 162 856
Generic e-mail address for the Authority (please only provide a personal e-mail address if the clerk / RFO does not have access to a generic e-mail account). shincliffeparishcouncil@yahoo.co.uk		

*Please return this form together with the
 Annual Governance & Accountability Return and other information requested.*