

# Annual Internal Audit Report 2021/22

EAST BEDLINGTON PARISH COUNCIL

www.eastbedlingtonpc.org.uk

During the financial year ended 31 March 2022, 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 2021/22 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 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")			✓
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements	✓		
M. The authority, during the previous year (2020-21) 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 2020/21 AGAR (see AGAR Page 1 Guidance Notes).	✓		
<b>O. (For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

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

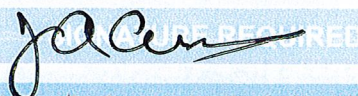
Date(s) internal audit undertaken

18/03/2022 19/05/2022 HOME 18-19/03/2022

Name of person who carried out the internal audit

JOHN A. AINSWORTH

Signature of person who carried out the internal audit



Date

19/05/2022

\*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 to the members of East Bedlington Parish Council

Ladies and Gentlemen,

I have completed the internal audit of the accounts and systems for the year ended 31<sup>st</sup> March 2022 and I have the following recommendations to bring to your attention.

1. The compliance of payments to Financial Regulations needs to be clearly stated in Council minutes. I recommend this to assist in improving the transparency of Council business. Most Councils, like yourselves, have preferred suppliers to both standardise the quality of equipment and the image of the Council. They also have difficulty in attracting competitive quotations from suppliers and contractors. When these events occur it would be helpful to the public and interested parties if the Financial Regulations that apply are quoted so that it is clear that the Council has followed its own rules. (*This recommendation was made last year but appears not to have been acted upon*)
2. The Council's Insurance Policy should be reviewed as to the level of cover in the Fraud & Dishonesty section. The current level is, at some periods, well less than the value of liquid assets. This situation will continue in 2022/23 as liquid assets have increased considerably in value (*This recommendation was made last year but appears not to have been acted upon*)
3. The situation regarding the VAT on Memorial Seats needs to be clarified.
4. There is a difference between the payments made by NCC (your payroll contractor) and the recovery payments made by DWP who fund the scheme. To avoid any possible loss these differences need reconciling

Other matters raised in the audit were resolved with the Clerk. None of these were material in their effect on the accounts.

I have signed the relevant section of the Annual Return as required and set out below the explanations required by this document:

Item F has been marked as "No" as the Council do not operate a Petty Cash system.

Item K has been marked "Not covered" as the Council had a limited assurance review in 2020/21.

I would like to thank the Clerk and his deputy for their help in enabling the audit to be concluded in the difficult circumstances they are facing. The Council is well served by its officers.

I must advise the Council that I will not be seeking reappointment as your Internal Auditor and I wish the Council well in all its future endeavours.

Yours faithfully

John A Ainsworth  
20th May 2022

Attached: Details of work undertaken at this audit

## Audit work completed in the year

Date(s) of visit(s): 18<sup>th</sup> & 19<sup>th</sup> May 2022

Work at home: 16<sup>th</sup> & 17<sup>th</sup> March 2022

Ref	Control Objective tested	Work undertaken	Result
A	Appropriate Financial records have been properly kept	Accountancy system and financial records noted and documented	Appropriate records are kept and the new accounting system is functioning well
B	Financial Regulations have been complied with and payments were supported by invoices, all expenditure was approved and VAT was accounted for	A sample of 48 transactions were examined in detail. Prices and arithmetic, VAT paid, certification, allocation and compliance to Financial Regulations were all checked and payment from the Bank Account vouched. All VAT due was paid to HMRC or recorded for payment	<i>See Audit Report</i>
C	Significant risks have been assessed and reviewed and there are adequate arrangements in place to manage these	Risk Management had been reviewed and reported to Council. Updates had been reported to Council during the year The Insurance Policy was checked to current levels of risk.	<i>See Audit Report</i>
D	An adequate budget process is in place and the budget is monitored on a regular basis	The frequency of budget monitoring and reporting was examined. Budget variances and the reporting thereof noted. There were 10 such reports in the year. Variances to the budget were identified and will be explained when submitting the AGAR	Satisfactory
E	The income expected has been collected and is in accordance with the charges set by the Council. VAT on income has been properly accounted for	All income banked was checked to ensure that it was correct per agreed charges and properly posted. There was a possible problem with the treatment of VAT on contributions to Memorial Seats which needs clarification	The expected income was collected  <i>See Audit Report</i>
F	Petty cash payments were properly approved and accounted as was the VAT on such payments.	The Council does not operate a Petty Cash Account. In the sample at B above small payments reimbursed to staff were examined	
G	Salaries and expenses to employees and allowances to members were in accordance with	A sample of 5 months payrolls both pre and post pay rise were tested to see compliance to the authorised establishment and that PAYE and NI and	Satisfactory



	approved rates and PAYE and NI requirements were properly applied	Pension contributions were accounted for. Payments to Kick Start employees were also checked. Further checks into recovery of these payments is advised.	<i>See Audit Report</i>
H	Asset and investment registers were complete , accurate and properly maintained	Asset purchases in the sample at B above were traced into the asset register and accounted for.	Satisfactory
I	Periodic and year end bank account reconciliations were carried out	The frequency and reporting of bank reconciliations was checked and the final bank reconciliation was vouched to the cash book and the bank accounts. There were 10 reports to the Council in the period	There is a very satisfactory frequency and reporting of the bank reconciliation to the Council
J	Accounting statements were prepared on the correct accounting basis and agreed to the cash book. An adequate audit trail exists and debtors and creditors were properly accrued	The Income and Expenditure Account and Balance sheet were examined and reconciled to the cash book. Testing of samples in B above proved the adequacy of the audit trail. Debtors and creditors were properly accrued and posted. Outturn was vouched to the AGAR document	Satisfactory

#### Other Work

Preparation of Standing Information on the Council and its organisation, Documentation of systems, reading of, and extraction from, minutes and agendas, posting of totals form the final accounts to the Annual Governance and Accountability Return and assistance in completing that return and supporting information.

Yours faithfully

J.A.Ainsworth

Internal Auditor