

Annual Internal Audit Report 2018/19

HORDEN PARISH COUNCIL

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation during the financial year ended 31 March 2019.

The internal audit for 2018/19 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	Agreed? Please choose one of the following		
	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 and year-end bank account reconciliations were properly carried out.	✓		
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 2017/18, it met the exemption criteria and correctly declared itself exempt. ("Not Covered" should only be ticked where the authority had a limited assurance review of its 2017/18 AGAR)			✓
L. During summer 2018 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.			Not applicable ✓
M. (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

180319

DD/MM/YY

DD/MM/YY

Name of person who carried out the internal audit

STEPHEN CARTER LAUDITOR

Signature of person who carried out the internal audit

S. Carter

REQUIRED

Date

020519

*If the response is 'no' you must include a note to 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).

Section 1 – Annual Governance Statement 2018/19

We acknowledge as the members of:

HORDEN 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 2019, that:

	Agreed		Yes' means that this authority	
	Yes	No*		
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓		prepared its accounting statements in accordance with the Accounts and Audit Regulations.	
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	
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.	✓		has only done what it has the legal power to do and has complied with Proper Practices in doing so.	
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.	✓		during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.	
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.	✓		considered and documented the financial and other risks it faces and dealt with them properly.	
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		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.	
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.	
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.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.	
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	has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.
	✓			

*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 should be published with the Annual Governance Statement.

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

30/05/19

and recorded as minute reference:

HPC19/20/024 CE

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

Chairman

J Roberts

Clerk

K. Welch

Other information required by the Transparency Codes (not part of Annual Governance Statement)

Authority web address

<http://horden.parish.durham.gov.uk>

Horden Parish Council
Annual Governance Statement
for Year Ended 31st March 2019

The Council are responsible for the preparation of the statement of accounts and the Council's internal control. Below is the evidence for the responses to the Annual Governance Statement.

1	We have put into place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	Yes	<ul style="list-style-type: none"> • The Council have considered and prepared their budget in a timely manner before setting a precept prior to the commencement of the financial year. • The Council have monitored performance against its budget reviewing Income and Expenditure Reports on a monthly basis taking corrective action where necessary. • The Council consider their earmarked reserves, general reserves and financial risk assessments prior to commencing any significant projects or long term commitments. If the Council's financial priorities change mid financial year the Council review their existing budgets, reserves and reprioritise their Strategic Plan accordingly. • The Council have appointed a RFO in accordance with Section 151 of the Local Government Act 1972. • The Council are satisfied that the RFO has determined a system of financial controls and discharged their duties under Regulation 4 of the Accounts and Audit Regulations 2015, via effective financial reporting to the Council throughout the financial year, which the Independent Internal Audit has verified throughout the year in their audits. • The RFO has reconciled the Council's bank accounts for each cashbook on a monthly basis, this has been verified by two Members of the authority by signature and copies of Reconciliation Statements have been provided to Council on a monthly basis for information. • The Council have no investments. • Year End closedown and preparation of Statement of Accounts will be completed by RBS in conjunction with the RFO.
2	We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	Yes	<ul style="list-style-type: none"> • The Council have in place approved Standing Orders, Financial Regulations and Procurement and Contract Standing Orders. • Arrangements to safeguard public money controls are in place. The Council authorise payments and two Members sign off cheques and authorise BACS payments in accordance with the Council's Financial Regulations. The Finance & General Purposes Chairman oversees all payments for accuracy. • All bank transfer 'sweeps' have been reported to Council. • The Council have approved all bank mandates and authorised signatories. • Remuneration payable to all employees has been in accordance with the National Joint Council for Local Government Services. The Council approved the remuneration payable to all employees in 2018/19.

			<ul style="list-style-type: none"> • The Council maintain their own payroll with IRIS Payemaster, which ensures accuracy and legitimacy of payments of salaries and wages, and associated liabilities. Payroll arrangements and responsibilities are included in the Council's Financial Standing Orders. • The RFO has managed the quarterly VAT Returns in a timely manner. • The council have an anti-fraud and corruption policy in place. • The Council implemented a cash handling policy in 2018/19. • The Council have an Asset Register, which includes disposal dates and values. The Asset Register was reviewed by Internal Audit in 2018/19 and approved by Council 1st November 2018 HPC 18/19/110. • Loan repayments were factored into the 2018/19 Budget. • The Council reviewed the effectiveness of their Internal Audit arrangements in 2018/19. • On balance of the Council's audit needs, the Council approved a three-year Service Level Agreement with Durham County Council for the provision of Internal Audit Services at their Meeting 7th June 2018 (HPC 18/19/038).
3	<p>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 which could have a significant financial effect on the ability of the council to conduct its business or on its finances.</p>	Yes	<ul style="list-style-type: none"> • The Council have appropriate decision making processes to ensure its activities fall within its powers to act. • The Minutes reference the appropriate Power exercised on payment of donations. • The Internal Auditor is satisfied that the Council have not taken any decision in 2018/19 that exceeds its powers or contravenes any laws, regulations or proper practices. • The Council have discharged their responsibility to publish financial information in accordance with the Local Government Transparency Code 2015 as its turnover exceeds £200,000. • The Council are subscribed to advisory bodies including County Durham Association of Larger Councils, SLCC, NAC and NALC and receive regular updates on legislation changes and updates. • The Council maintain a Training Budget for Members to access training opportunities and develop their skills and knowledge.
4	<p>We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.</p>	Yes	<ul style="list-style-type: none"> • The authority provided for the exercise of public rights, set out in Sections 26 and 27 of the Local Audit and Accountability Act 2014. • In accordance with Regulations 12(3) and 15(1) of the Accounts and Audit Regulations 2015 the RFO published the exercise of public rights, on the Council's website and noticeboard, within four days of the Statement of Accounts being approved by Council. The period lasted 30 working days from 11th June 2018 to

			<p>20th July 2018 and included the first 10 working days of July 2018.</p> <ul style="list-style-type: none"> • The External Auditor completed the audit on 25th September 2018. The RFO received the completed audit via email on 25th September 2018. • In accordance with Regulation 16 of the Accounts and Audit Regulations 2015 the RFO published the conclusion of audit, annual governance statement, statement of accounts, external auditors report, sections 1,2 and 3 of the AGAR on the Council's website and public places on receipt of the completed audit, 25th September 2018 for a period of 30 working days. • The Council considered, accepted and acted upon the External Auditors Report at their Meeting 4th October 2018 (HPC 18/19/088).
5	We have carried out an assessment of the risks facing this smaller authority and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	Yes	<ul style="list-style-type: none"> • In 2018/19 Members and Officers received training on Risk Management. • Following the training exercise the Council introduced and approved a Risk Management Policy and Strategy, with the establishment of a Risk Management Committee to oversee the aims and objectives of the Council's strategic and financial risks. • The scope of the committee is to identify, assess, record and manage risk ratings in further detail and report back its findings and recommendations to full council. • Strategic and Financial Risk Registers and ratings have been reviewed by the Risk Management Committee and Full Council on three separate occasions in 2018/19.
6	We maintained throughout the year an adequate and effective system of internal audit of the council accounting records and control systems.	Yes	<ul style="list-style-type: none"> • The Council reviewed the effectiveness of their Internal Audit arrangements in 2018/19. • On view of the Council's audit needs and usage the Council approved a three-year Service Level Agreement with Durham County Council for the provision of Internal Audit Services at their Meeting 7th June 2018 (HPC 18/19/038).
7	We have taken appropriate action on all matters raised in reports from the internal and external audit.	Yes	<ul style="list-style-type: none"> • The Council has considered and accepted the External and Internal Auditor's reports and implemented the recommendations where required. • In particular, the separation of the charity and council accounts are reflected with separate accounting statements for 2018/19.
8	We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year end, have a financial impact on the council and, where appropriate have included them in the accounting statements.	Yes	<ul style="list-style-type: none"> • The council have a 28 year commitment to a loan repayment of £26,072 per annum for a £500,000 PWLB loan paid to the Council in 2016 for the development of their cemetery. • The Council have an outstanding dispute with a debtor for a total of £18,408. The debt will remain as a debtor and not written off until the dispute is settled. • At the close of 2017/18 the charity bank balance of £40,678 was carried over as a debtor (and asset) to the Council, an error when the charity balance was removed from the Council's Cashbook 4 and accounts.

			The charity have repaid the £40,678 debtor in 2018/19 and the Council have returned the balance to the charity. However, as this was accounted for as an asset to the Council at the close of 2017/18 and formed part of the Council's Statement of Accounts it has impacted on the Council's Reserve Balance.
9	(for local councils only) Trust Funds including charitable - in our capacity as the sole managing trustee we have discharged our accountability responsibilities for the funds/assets, including financial reporting and, if required, independent examination or audit.	Yes	<ul style="list-style-type: none"> • The separation of the Charity and Council Accounts commenced 1st April 2018 with the Charity and Council operating different accounting systems. • The Charity has a separate bank account. • Meetings of the Charity take place separately from those of the Council. Separate notices, agendas and minutes are kept. • The Charity assets have been removed from the Council's Asset Registers. • The Charity income and expenditure is reported to the Charity Commission annually.

This Annual Governance Statement is approved by Horden Parish council on;

Date; 30/05/2019

Minute Reference; HPC19/20/024

Signed by the Chair where approval is given;

J Roberts

Signed by the Clerk where approval is given;

Section 2 – Accounting Statements 2018/19 for

HORDEN PARISH COUNCIL

	Year ending		Notes and guidance
	31 March 2018 £	31 March 2019 £	
1. Balances brought forward	734,577	652,640	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	492,097	485,860	Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	210,921	238,001	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	403,046	425,796	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5. (-) Loan interest/capital repayments	26,072	26,072	Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).
6. (-) All other payments	355,837	768,999	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	652,640	155,634	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	621,775	152,846	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	RESTATED 736,147	720,825	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	488,144	475,946	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 2019 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

S. G. Crear SIGNED

Date

23/05/19

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

30/05/19

as recorded in minute reference:

HPC19/20/025CE

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

J. Roberts SIGNED

Section 3 – External Auditor Report and Certificate 2018/19

In respect of

ENTER NAME OF AUTHORITY

1 Respective responsibilities of the body and the auditor

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 2019; and
- confirms and provides assurance on those matters that are relevant to our duties and responsibilities as external auditors.

Our responsibility is to review Sections 1 and 2 of the Annual Governance and Accountability Return in accordance with guidance issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (see note below). Our work **does not** constitute an audit carried out in accordance with International Standards on Auditing (UK & Ireland) and **does not** provide the same level of assurance that such an audit would do.

2 External auditor report 2018/19

(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 2018/19

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 2019.

*We do not certify completion because:

External Auditor Name

ENTER NAME OF EXTERNAL AUDITOR

External Auditor Signature

SIGNATURE REQUIRED

Date

DD/MM/YY

*Note: the NAO issued guidance applicable to external auditors' work on limited assurance reviews in Auditor Guidance Note AGN/02. The AGN is available from the NAO website (www.nao.org.uk)