INTERNAL AUDIT ANNUAL REPORT

Haswell Parish Council

2024/25 AUDIT

Assurance level:	**Substantial Assurance**
Report status:	**Final Report**
Date:	**26th June 2025**
Prepared by:	**Gordon Fletcher, Internal Auditor**
Issued to:	**Haswell Parish Council**

1. INTRODUCTION

I have been asked to carry out a review of Haswell Parish Council Internal Controls for 2024/25. The review involved a visit to Seaton Holme, Easington Village, on 26th June 2025 and from home on 25th June 2025.

2. In carrying out the audit, the time and assistance afforded by the Parish Clerk at Easington was greatly appreciated, and the Clerks computer from Haswell Parish Council containing 2024/25 information.

OBJECTIVES OF THE REVIEW

3. The overall objective of my review is to provide a risk based assessment of the systems in place in order to form an opinion as to whether they are robust and provide an adequate basis for effective control, as specified in the AGAR were to ensure that;

- Payroll procedures are operating as expected.
- Creditor payments are authorised and that internal controls can be relied upon.
- There are adequate internal controls for the debtors system.
- Income collection procedures and banking arrangements are adequate.
- Assets register is maintained and is up to date.
- The agreed budget is accurately shown in the accounts and monitored.
- The tendering process is followed.
- Section 137 payments (donations) are properly recorded.
- Risk management arrangements are satisfactory.
- Governance arrangements are satisfactory

SCOPE OF THE WORK CARRIED OUT

4. The review is carried out by Gordon Fletcher, who is contracted to provide an Internal Audit Service for Easington Village Parish Council, and was asked to carry out the audit for Haswell Parish Council for 2024/25, which was agreed by the Council.

5. The scope of the work covers all the areas within the Internal Audit section of the AGAR for Parish Councils, with compliance and substantial testing carried out.

6. The report is intended to present to the Parish Clerk the observations and conclusions of the audit. Wherever possible the observations and any recommendations have been discussed with the Parish Clerk and any views considered.

SUMMARY OF THE WORK CARRIED OUT

7. PAYROLL

7.1. Haswell Parish Council has a Service Level Agreement with Durham County Council (DCC) in which the Parish Council submit payroll information to DCC and staff are paid directly from DCC. Summary reports are sent to the Parish Council which are confirmed and payment then made to DCC from the Parish Council bank account. Any changes to the normal payroll information are notified by the Clerk to DCC payroll department.

7.2. The Council has 3 permanent employees, timesheets are completed by the operatives which are signed by the employees and authorised by the Parish Clerk. The Parish Clerk keeps her own records for examination if required. The internal controls of the payroll system allow reliance to be placed on them,

7.3. Payments were confirmed as correct.

8. ACCOUNTS PAYABLE (creditors Payments)

8.1. All invoices are received by the Parish Clerk who examines them for accuracy and ensure that they are paid in accordance with Financial Regulations.

8.2 The accounts to be paid are considered at every monthly parish meeting where they are signed by 2 Councillors and payment is made by BACS by the Clerk.

8.3. The Cash book1 report showing all payments for the year was examined to the invoices and all were accounted for and properly authorised.

8.4. However, at the March meeting an invoice had been submitted by a Councillor which had been handed to him, (I understand this was from the son of a fellow Councillor), and I understand that this was the first time Members, and the Clerk had been presented with this invoice.
This was over the limit where quotes would be expected and had not been agreed in the budget and related to work which had not been approved by the Parish Council.
Whilst at the meeting, it was agreed that the Clerk as Responsible Finance Officer would review this invoice for accuracy and compliance with Financial Regulations. A number of Councillors and the Clerk were unhappy with this situation and tendered their resignation following the meeting. This is to be resolved when a new Clerk is appointed.

9. PETTY CASH

9.1 The Council does not have any petty cash.

10. INCOME COLLECTION AND BANKING ARRANGEMENTS

10.1 Income is received from the Precept, LCTRS Grant, Vat refund, bank interest and football pitch fees. Grants are also received for specific events and monies are received from DCC as a contribution towards the Highway worker. This had been backdated during 2024/25 which contributed to the Council having more than expected income during the year.

10.2. All income received was checked to the Cash Book 1 report (Receipts) and was found to be banked in the Councils bank account

10.3. The Council has 2 bank accounts, which reconciled at the end of the year.

10.4 . Monthly bank reconciliations are considered and approved by 2 Councillors at every monthly meeting.

11. ASSETS

11.1. The Asset Register is updated during the year when an asset is bought or disposed of and is completed in accordance with the Governance and Accountability for Local Councils - A practitioners' guide. The Asset Register is reviewed and reported every year with the approval of the annual accounts.

12. BUDGETARY CONTROL ARRANGEMENTS

12.1. income and expenditure budgets had been properly compiled and are used to set the precept for the following year, which is reported to Members.

12.2. The setting of the budget and precept for 2025/26 was initially drafted by the Clerk in November 2024 and discussed, with the budget and precept agreed at the 29th January 2025 Council meeting.

12.3. Budget monitoring is carried out from projected outturn reports every month .to Members throughout the year who consider the budget position.

12.4 The Council does not have a Medium-Term Financial Plan as there is little scope for other planned projects/schemes within the Parish, apart from events which are budgeted for every year, any foreseeable maintenance for the coming year is discussed during the budget setting process.,

12.5. The Council holds a satisfactory amount of reserves.

.**13. TENDERING/PROCUREMENT**

13.1. There is a tendering procedure (including quotes) in place which is outlined in the Financial Regulations (See 8.4)

14. SECTION 137 PAYMENTS

14.1 . Any section 137 payments for the year are to be recorded and approved in the minutes.

15. RISK MANAGEMNT

15.1. The Council's Corporate Risk Assessment is reviewed and approved with the statement of accounts Council meeting every year.

16 **GOVERNANCE ARRANGEMENTS**

16.1. Good Governance arrangements and Internal Control requires good policies and procedures in place, the Parish Clerk ensures that these are in place and reviewed.

16.2. In accordance with the Accounts and Audit regulations 2015, and the Councils own financial Regulations Paragraph 2.4., an effectiveness of internal control arrangements report, for 2024/25 **had not been completed**. However, arrangements for Internal Audit, agreeing policies including Financial Regulations and Standing Orders, and Risk Management are agreed every year around May. (Annual Meeting).

16.3 The Council approves the annual accounts every year along with the Annual Governance Statement.

16.4. Exercise of Public rights was dated 30th June 2024 with inspection dates between 30th June and 9th August 2024.and placed on the Council's website.

17. Other

17.1. Back up of the finance system is through the "cloud", and Rialtus back up system

OBSERVATIONS, RISKS AND RECOMMENDATIONS

18. My observations together with the associated risks are detailed in the action plan accompanying this report, if required. For each area where an observation is made, a recommendation and priority for action is attached.

19. I have categorised the importance of my recommendations as follows:

- Critical – A control weakness that may have a significant impact upon the achievement of, not only the system objectives, but also the organisation's objectives
- High – A control weakness that may have a significant impact upon the achievement of the system objectives
- Medium – A control weakness that may have an impact upon the achievement of the system objectives
- Low – A control weakness that does not impact upon the achievement of the system objectives, however, the implementation of which would improve overall internal control.

20. My review has highlighted 1 issue on the internal controls of the Council, where financial regulations regarding quotes had not been followed (see paragraph 8.4.)

AUDIT ASSURANCE LEVEL

21. Based upon the above issue and the potential impact of the observation made, I can provide **Substantial Assurance** on the internal controls for 2024/25 This level of assurance is one of five possible levels which are shown in the table below.

Level of Assurance	Definition
Full Assurance	There is a sound system of controls in place and those controls are consistently applied and are fully effective. Control objectives are fully met.
Substantial Assurance	There is a sound system of control in place but some of the controls are not consistently applied or fully effective. Control objectives are largely achieved.
Moderate Assurance	There is basically a sound system of control in place, but there are weaknesses and evidence of non-compliance with or ineffective controls. Control objectives are often achieved.
Limited Assurance	The system of control is weak and there is evidence of non-compliance with controls that do exist. Control objectives are sometimes achieved.
No Assurance	There is no system of control in place and control objectives are rarely or never achieved.

RECOMMENDATIONS

22. It is recommended that the issue in paragraph 8.4. be investigated and resolved, and Members should be aware of financial regulations especially with regard to quotes.

23. An effectiveness of internal control report should be completed every year before the Annual Governance Statement is approved.

G Fletcher

Gordon Fletcher,
Internal Auditor to the Parish Council
Date: 26th June 2025