

## **INTERNAL AUDIT ANNUAL REPORT – 2022/2023 CHILTON TOWN COUNCIL**

### **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 £25,0000 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. The AGAR is made of 3 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 Internal Audit work and the areas examined.**

- 3.1 The Scope of Work covers the control tests identified in in the AGAR and the minimum of tests stated by CDALC.
- 3.2. To properly complete the audit the following areas of activity have been examined and tested by the Internal Auditor:
- Payroll
  - Creditors
  - Risk Management
  - Income collection and Banking arrangements
  - Petty cash
  - 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 him.

### **4. Findings**

#### **4.1. Payroll**

- 4.1.1 A detailed Interim audit was carried out in November 2022 and reported 12<sup>th</sup> November 2022 with no recommendations This audit concentrated on the internal controls of the Council with compliance test carried out.
- 4.1.2, The Parish Council has 4 employees Town Clerk, Finance and Administration Officer, Administration Support Assistant and a cleaner.
- 4.1.3 Weekly Time Records are completed for all and are signed and dated by them. The Town Clerk approves all staffs Time Records, and the Town Clerks Time Record is signed by the Chair. Compliance checks were carried out between October 2022 and March 2023 and found to be properly completed.

- 4.1.4 Staff work standard/fixed hours and are paid by an independent payroll provide (Durham County Council). Any changes to the normal hours are notified by the Town Clerk to Durham County Council. The increases in the rates of pay is determined by the National Pay award for local government workers and approved by the Council Members and recorded in the minutes. Any car mileage is paid through the creditors system.
- 4.1.5. Any extra hours worked is recorded on the Time Record sheet and recorded later as Time Off In Lieu.
- 4.1.6. There are holiday sheets completed and signed and approved showing when leave is taken, these were examined in detail during the November audit.
- 4.1.7. The H.M.R.C previously changed the way it collects tax and national insurance in real time, and the County Council requires Chilton Town Council to agree to a service level agreement in which the Town Council sets up a BACS systems were staff are paid directly from the Town Council's current account. This involves two payments, one for staff salaries at net pay and the second payment for tax, national insurance, superannuation and employer's contributions, which become due the following month.
- 4.1.7. Copy Payroll reports were produced from DCC for October 2022 to March 2023, showing basic monthly salary, net pay and deductions. DCC pay staff and deductions by BACS. On checking these reports to the BACS payments, they were confirmed.

#### **4.2. Creditors (Accounts Payable)**

- 4.2.1. A detailed interim audit was carried out in November 2022 and no recommendations were made. This audit examined the creditors system between October 2022 to March 2023 with compliance checks carried out.
- 4.2.2. The Finance and Administration Officer inputs all invoices into the finance system (RBS) after checking that goods have been received with the Town Clerk. Compensating checks are carried out by Members, who agree payment of the invoices (by initials on the invoice) to a monthly income and expenditure report. At full Council all Members have the opportunity to ask questions on all payments.

The Clerk has set up internal controls so as to maintain separation of duties between the Finance and Administration Officer and the Town Clerk with approval by Councilors at Council meetings who are the bank signatories.

During the previous the Council moved to payment from cheque to bank transfer payments with internal controls maintained

At the same time the Finance and Administration Officer introduced the system whereby all requests for goods/services had to have an order completed, where the Finance and Administration Officer makes out the order (and contacts the company) which is then authorized by the Town Clerk. The firm is asked to ensure the order number is recorded on the invoice to enable cross checking. Detailed examination carried out in November 2022.

- 4.2.3. The files of invoices between October 2022 to March 2023 were checked to the RBS financial system reports (Cash book 1 - payments) which includes the vat. All were found to be correctly recorded in the accounts and were properly processed, with vat recorded.
- 4.2.4 The Council has a mens group petty cash float where expenditure forms with receipts are provided. This is managed by the Administration Support Officer and checked and reconciled by the Finance and Administration Officer. This system was confirmed as working well.

#### **4.3. Income collection and Banking arrangements**

- 4.3.1. A detailed interim audit was carried out in November 2022 with no recommendations made. This audit examines the system in place between October 2022 and March 2023, with compliance tests carried out.

- 4.3.2. The Council has 3 bank accounts, with 1 of the bank account used for all payments and income during the year
- 4.3.3. When Income is paid at the Town Council Offices a receipt is issued. Customer can pay by cash, cheque, or card. All receipts issued are recorded on a spreadsheet in receipt number order showing the amount, payment from, what the income was for and is colour coded to show when banked. The Finance and Administration Officer then records all income by heading into the finance system.
- 4.3.4. Compliance testing was carried out on a sample of the receipts, from the General Receipt books numbered 3091 to 3225, between October 2022 to March 2023 to the spreadsheet, the bank statements and to the Cash Book 1 report receipts - current account. All income received by the Council and had been properly recorded, banked with correct charges being made. The system was found to be working well. Income received by credit card was checked to the Sum up reports which are reconciled by the Finance and Administration Officer.
- 4.3.5. Income can also be paid direct to bank mainly from invoices raised (checked CTC 0001 to CTC 0039 by the Council. These were identified from the bank statement and input into the Finance system.
- 4.3.6. The Cemetery income is recorded in the Caretakers cash book (as well as Rialtus) and records the receipt number. Detail checks were carried out in November and during this audit the general fees receipt books were checked to the bankings as recorded on the Cash book 1 report – current account, receipts, and all had been promptly banked with all charges correctly made.
- 4.3.7. The Council have 3 allotment sites and over 200 plots. Letters are sent out in February to all plot holders reminding them to pay their rent. All allotments are recorded on the Rialtus database and reports were produced showing all plot holders who have paid by end of April 2022 for 2022/23, along with the amount and receipt number, along with another report showing plot holders who are still to pay. Compliance checks were carried out on the receipt books which confirmed the amounts paid.
- 4.3.8. However, it was observed that there was no reconciliation between the allotments records held by Council and Rialtus which would confirm that all income expected has been paid.
- 4.3.9. Vat is recorded into the finance system when the payment is made and has been properly recorded and reclaimed regularly and paid into the bank account. Vat report was submitted 12<sup>th</sup> October 2022 for the period 1<sup>st</sup> April 2022 to 23<sup>rd</sup> September 2022 and was paid into the bank account on 31<sup>st</sup> October 2022. The claim for 3<sup>rd</sup> October 2022 to 27<sup>th</sup> March 2023 was submitted 27<sup>th</sup> April 2022.
- 4.3.10. Fees and charges are reviewed every year as part of the budget setting process.

#### **4.4. Accounting Records**

- 4.4.1. The Council uses the RBS omega finance system, which records all income and expenditure. This is reconciled to the bank statement (Cash book 1 report.) at the end of the month, which is confirmed by the Town Clerk and the Chair. The Finance system also shows the various cost codes where the income and expenditure are to be allocated, which provides good budgetary control.
- 4.4.2. Standing Orders and Financial Regulations were reviewed and approved at the Annual Council meeting on 10<sup>th</sup> May 2022.
- 4.4.3. The Council's end of year accounts are produced from the RBS finance system and are examine by the Financial Accountant., to produce a statement of accounts for the Council to approve. (14<sup>th</sup> June 2022)
- 4.4.4. Separate codes are set up in Rialtus to record all income and expenditure for the Miners Welfare Charity. See below

#### **4.5. Assets**

- 4.5.1. Following amendments to proper practices as noted in Governance and Accountability for Local Councils – A Practitioners' Guide the following practices should now be applied.

"Each asset owned by the body should be recorded on the asset register at its original purchase cost. In the event that the original purchase cost is not known at the time of first recording on the asset register, the body should, having taken appropriate advice, establish a current value for the asset. This value will act as a proxy for the original purchase cost and remain unchanged until disposal". This is approved at the Annual General Meeting (10<sup>th</sup> May 2022).

#### **4.6. Debtors**

- 4.6.1. Some accounts are raised and payment can be made by cash or a cheque to the Town Council Offices or direct to bank.

#### **4.7. Budgetary Control**

- 4.7.1. The budget for the year 2023/2024 and the precept was initially discussed at the 12<sup>th</sup> December 2022 Council meeting with the external Financial Accountant, and was further discussed in detail by the Council on the 10<sup>th</sup> January 2023 from a report by the external Financial Accountant, which includes Members of the Council.
- 4.7.2. During the financial year budget motoring was carried out throughout the year and in detail when the budget setting process was carried out.
- 4.7.3. The Policy and Resources Committee carries out regular reviews on the 2023/2025 Medium Term Financial Plan.

#### **4.8. Governance arrangements**

- 4.8.1. A review of the Councils policies is discussed throughout the year and over various policies were reviewed at the 27<sup>th</sup> September 2022 Council meeting.
- 4.8.2. A review of the Councils Financial risk assessment is agreed at the Councils AGM (10<sup>TH</sup> May 2022)
- 4.8.3.. Annual governance statement is completed and submitted with the Statement of Accounts. (14<sup>th</sup> June 2022.)
- 4.8.4. The Clerk completed an Internal Control Environment report covering all aspects of Governance which was approved by the Council on 9<sup>th</sup> May 2023.
- 4.8.5. The announcement of the public rights for 2021/21 was included within the statement of account reported dated 16<sup>th</sup> June 2022 for the period on inspection between 17<sup>th</sup> June to 28<sup>th</sup> July 2022 and was placed on the Council's website.

#### **4.9 CHARITY ARRANGEMENTS**

- 4.9.1. The Council Members are Trustees of the Chilton Miners Welfare Recreation Ground with day-to-day management carried out by the Council, with its own meetings and minutes.
- 4.9.2. The Charity have their own bank account (deposit account) and some income from hires are paid into the account.
- 4.9.3. The Charity has its own income and expenditure codes (Centre code 220 and 250) within Chilton's accounts which is set up in Rialtus and any payments are included here.
- 4.9.4. The accounts and audit has been completed of the 2021/22 for the Miners Welfare Recreation Ground Charity
- 4.9.5. As from the 1<sup>st</sup> April 2023 the Charity will be separate from the Council and will have its own accounts.

**5. Conclusions/Recommendations**

- 5.1. The Internal Controls within the Town Council are adequate for the size of the Council.



**Gordon Fletcher (C.M.I.I.A.),  
Internal Auditor for the Town Council  
Date: 18<sup>th</sup> May 2023**