

INTERNAL AUDIT ANNUAL REPORT – 2023/2024

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. This audit concentrated on the internal controls of the Council with detailed tests 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 2023 and March 2024 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 (eg overtime) 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 (overtime) is recorded on the Time Record sheet and can be paid or taken 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 where 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 2023 to March 2024, 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 2023 and no recommendations were made. This audit examined the creditors system between October 2023 to March 2024 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 2023

- 4.2.3. The files of invoices between October 2023 to March 2024 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.

4.3. Income collection and Banking arrangements

- 4.3.1. A detailed interim audit was carried out in November 2023 with no recommendations made. This audit examines the system in place between October 2023 and March 2024, 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 3307 to 3419, between October 2023 to March 2024 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 (examined CTC 0065 to CTC 0086) by the Council. These were identified from the invoices spreadsheet to 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 2023 for 2023/24, 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. Allotment fees for 2024/25 will be confirmed at the interim audit in November.
- 4.3.8. 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 claim was submitted 9th October and had been paid on 16th October 2023 for the period 1st April 2023 to 23rd September 2023.
- 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 Town Council meeting on 9th May 2023
- 4.4.3. The Council's end of year accounts are produced from the RBS finance system and are examined by the Financial Accountant., to produce a statement of accounts for the Council to approve. (13th June 2023), along with the asset register and financial risk register

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 (9th May 2023).

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. See 4.3.5.

4.7. Budgetary Control

4.7.1. The budget for the year 2024/2025 and the precept was initially discussed at the 14th November 2023 and then the 12th December 2023 Council meeting with the external Financial Accountant, and was further discussed and agreed by the Council on the 9th January 2024 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 at the Policy and Resources committee

4.8.2. A review of the Councils Financial risk assessment is agreed at the Councils AGM (eg. 9th May 2023)

4.8.3.. Annual governance statement is completed and submitted with the Statement of Accounts. (eg 13th June 2023.)

4.8.4. The Clerk completed an Internal Control Environment report covering all aspects of Governance which at the 12th March 2024 Council meeting.

4.8.5. The announcement of the public rights for 2022/23 was included within the statement of account reported dated 14th June 2023 for the period on inspection between 15th June to 26th July 2023 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. The Income and expenditure is no longer recorded in the Council's Rialtus software..

4.9.3. The accounts and audit have been completed of the 2022/23 for the Miners Welfare Recreation Ground Charity, dated 1st February 2024

4.9.4 As from the 1st 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: 30th April 2024