

INTERNAL AUDIT ANNUAL REPORT – 2025/2026

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 Ministry of Housing, Communities and Local Government (MHCLG), 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 previously 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 Town 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 her.

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 3 employees, Town Clerk, Finance and Administration Officer, and a cleaner.
- 4.1.3 Weekly Time Records are completed by the Town Clerk and Finance and Administration Officer and are approved by the Line Manager. The Town Clerk approves the Finance and Administration Officer, and the Town Clerks Time Record is signed by the Chair. Compliance checks were carried out between October 2025 and March 2026 and found to be properly completed. The cleaner does not complete time sheets but the Town Clerk monitors her times. She is to leave in August and the new cleaner will submit timesheets.

- 4.1.4 Staff work standard/fixed hours and are paid by an independent payroll provider (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) are recorded on the Time Record sheet and can be paid or taken as Time Off In Lieu.
- 4.1.6. 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. A sample of Copy Payroll reports were produced from DCC 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 2025 with detailed checks carried out between April to September 2025 with no recommendations made. This audit examined the payments of accounts system between December 2025 to March 2026 with compliance checks and sample testing 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 undertaken by Members, through review of the Payment schedule which is presented at each ordinary Council meeting. Councilors also receive a detailed income and expenditure report at each ordinary Council meeting to provide ongoing financial oversight, and compare expenditure against the agreed budget.

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

Established authorization procedures are followed. The Finance and Administration Officer prepares a schedule of payments (known as the Payments schedule or Appendix 1). The Town Clerk reviews this and presents the schedule to Council for approval at ordinary meetings of the Council each month. Payments approved by Council or authorized under delegated authority by a Committee or the Town Clerk, are subsequently authorized by the Town Clerk and processed by the Finance and Administration Officer. Any payments made under delegated authority are include with the next Payment schedule/Appendix 1 for reporting purposes. Purchase Orders are used for larger purchases where required. These are signed by the Town Clerk and countersigned by the Finance and Administration Officer.

- 4.2.3. The files of invoices between December 2025 to March 2026 were checked to the RBS financial system reports (Cash book 1 - payments) which include 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 2025 examining the income received between April to September 2025 with no recommendations made. This audit examines the system in place between December and March 2026, with compliance tests carried out.
- 4.3.2. The Council has 4 bank accounts, with 1 of the bank accounts 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 record all income by heading into the finance system.

- 4.3.4. Detail testing was carried out on the receipts, from the General Receipt books numbered 3804 to 3905, between December 2025 to March 2026 to the income received 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 by the Council. These were identified from the invoices on file and checked from December 2025 to March 2026 (CTC 0129 to CTC 0146) to the bank statement and were input into the Finance system.
- 4.3.6. Income collected by credit card is input into Rialtus and a monthly sum up report is produced which shows the payments received in a month and the total amount deposited in the bank account. The totals were checked from October to March 2026.
- 4.3.7. 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.
- 4.3.8. The Council have 3 allotment sites with 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 2025 for 2025/26, 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.
- 4.3.9. 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 claim was submitted 31st October 2025 for claim 1st April to 30th September 2025 and was paid on 5th November 2025
- 4.3.10.. Fees and charges are reviewed every year as part of the budget setting process.

4.4. Accounting Records

- 24.4.1. 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. The Finance system also shows the various cost codes where the income and expenditure are to be allocated, which provides good reports for budgetary control.

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.

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 2026/2027 and the precept was initially discussed and agreed at the Special

Council meeting on 6th January 2026

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. Bank statements are confirmed and signed by the Town Clerk and the Finance and Administration Officer but are not presented to Council for verification

4.8. Governance arrangements

4.8.1. A review of the Councils policies is discussed throughout the year when necessary

4.8.2. Standing Orders and Financial Regulations were reviewed and approved at the Town Council meeting on 20th May 2025.

4.8.3. The Council's end of year accounts is produced from the RBS finance system and produce a statement of accounts for the Council to approve along with the asset register. (i.e.)

4.8.4. The Risk register for 2025/26 was reviewed and agreed on the 25th March 2026 Council meeting

4.8.5. Annual governance statement is completed and submitted with the Statement of Accounts.

4.8.6. The Clerk completed an Effectiveness of Internal Control report for 2025/26. covering all aspects of Governance at the 20th May 2025 annual Council meeting.

4.8.7. The announcement of the public rights for 2024/25 was announced with the statement of accounts reported dated 10th June 2025 for the period on inspection between 18th June and 29th July 2025 and was placed on the Council's website.

4.8.8. At the 25th March 2026 Council meeting the action to meet the requirement for Assertion 10 was discussed and agreed.

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 so 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 for 2024/25 for the Miners Welfare Recreation Ground Charity. Examiners report dated 30th July 2025

4.9.4 As from the 1st April 2023 the Charity separated from the Council and has its own accounts.

5. Conclusions/Recommendations

5.1. The Internal Controls within the Town Council are adequate for the size of the Council, however the bank reconciliations each month should be verified by the Chair by seeing the bank statement.



**Gordon Fletcher (C.M.I.I.A.),
Internal Auditor for the Town Council
Date: 25th May 2026**