

# **INTERNAL AUDIT ANNUAL REPORT – 2021/2022**

## **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 £25,000 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 (none)
  - 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. The Parish Council has 3 employees Town Clerk, Finance and Administration Officer and a cleaner.
- 4.1.2. Weekly Time Records are completed for all and are signed and dated by them. The Town Clerk approves the Finance and Administration Officers and Cleaners Time Record, and the Town Clerks Time Record is signed by the Chair. These were checked and found to be properly completed.
- 4.1.3. 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.

- 4.1.4. Any extra hours worked is recorded on the Time Record sheet and recorded later as Time Off In Lieu.
- 4.1.5. There are holiday sheets completed and signed and approved showing when leave is taken.
- 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 system 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 April 2021 to March 2022, showing basic monthly salary, net pay and deductions. DCC pay staff and deductions by BACS. On checking the Copy payroll reports to the BACS payments these were confirmed.

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

- 4.2.1. 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 year (around December) 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.

- 4.2.2. The files of invoices between April 2021 to March 2022 were checked to the RBS financial system reports (Cash book 1 - payments) which include the vat. All were found to be correctly recorded in the accounts and were properly processed, with vat recorded.

#### **4.3. Risk Management**

- 4.3.1. A review of the Council's Financial risk assessment is agreed when the statements of accounts are approved.

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

- 4.4.1. The Council operates 1 bank account for all payments and income, and there is an active Saver account earning interest on monies held.
- 4.4.2. 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.

- 4.4.3. The receipts (from 2700 to 2948) were examined for the year 2021/22 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.
- 4.4.4. Income can be paid direct to bank from invoices raised by the Council. These are identified from the

bank statement and input into the Finance system

- 4.4.5. The Cemetery income is recorded in the Caretakers cash book (as well as Rialtus) and records the receipt number. This was checked to the general fees receipt books and the bankings as recorded on the Cash book 1 report – current account, receipts, and all had been promptly banked with all charges correctly made.
- 4.4.6. The Council have 3 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. Receipt books confirmed the amounts paid. A reminder letter is currently being sent out to all those who have not paid.
- 4.4.7. Vat is recorded into the finance system when the payment is made and had been properly recorded and reclaimed regularly and paid into the bank account. Vat report was produced for 1<sup>st</sup> August 2020 to 31<sup>st</sup> March 2021 was submitted 4<sup>th</sup> May 2021 and received in the Councils bank account on 17<sup>th</sup> May 2021. Vat claims for 2021/2022 were submitted for the periods April to September 2021 with the income received 25<sup>th</sup> November 2021. The claim for the remaining year is to be submitted soon.
- 4.4.8 Fees and charges are reviewed every year as part of the budget setting process.

#### **4.5. Accounting Records**

- 4.5.1. 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.
- 4.5.2 Standing Orders, Financial Regulations were reviewed and approved at the Annual Council meeting on 18<sup>th</sup> May 2021.
- 4.5.3. 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.
- 4.5.4. Separate codes are set up in Rialtus to record all income and expenditure for the Miners Welfare Charity. See 4.10.

#### **4.6. Assets**

- 4.6.1. 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 was approved with the statement of accounts.

#### **4.7. Debtors**

- 4.7.1. Some accounts are raised for debts and pay by cash or a cheque to the Town Council Offices or direct to bank.

#### **4.8. Budgetary Control**

- 4.8.1. The budget for the year 2022/2023 and the precept was initially discussed at the 7<sup>th</sup> December 2021 Council meeting and was further discussed in detail by the Council on the 11<sup>th</sup> January 2022 from a report by the external Financial Accountant, which includes Members of the Council.

4.8.2. During the financial year budget motoring was carried out throughout the year and in detail when the budget setting process was carried out.

#### **4.9. Governance arrangements**

4.9.1. A review of the Councils policies has been discussed throughout the year and over 20 policies were reviewed at the 22<sup>nd</sup> February Council meeting.

Approval of the statement of accounts also includes the Risk Register and asset register.

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

4.9.3. The accountant completes and the Council approves the statement of internal control in March every year. This was considered at the 8<sup>th</sup> March 2022 meeting.

4.9.4. The announcement of the public rights for 2020/21 was included within the statement of account reported dated 15<sup>th</sup> June 2021 and placed on the Council's website

4.9.5. The external auditors report was discussed between the Acting Town Clerk, Accountant and myself on 2<sup>nd</sup> June 2021 to determine the actions required from the report. These have all been resolved.

4.9.6. Following comments by the accountant where he stated that there was no agenda item, report or minute relating to Mazars completion of audit, as well as the audited AGAR and completion of audit letter plus any report were not on the Councils website. At my initial audit I confirmed this and discussing this with the Clerk he contacted the Councils web provider and all have now been resolved. Therefore, internal control objective N had not been met.

#### **4.10 CHARITY ARRANGEMENTS**

4.10.1 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.

4.10.2. The Charity have their own bank account (deposit account) and some income from hires are paid into the account.

4.10.3. 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.

4.10.4 The accounts and audit has been completed of the 2020/21 accounts for the Miners Welfare Recreation Ground Charity

4.10.5. The Council has not met its full responsibilities as a Trustees:  
The Town Clerk has spent 6 months trawling back to 2005 in Council minutes and there appears to be a serious incident over sale of the land, several year ago, which the Town Clerk has discovered.

Hempsons the Council's solicitor said not to do an annual report and that he had to wait. The Town Clerk could wait no longer and completed the return, which was out of time, but when he spoke to the Charity Commission, they said at least it is done.

Hempsons have now had all paperwork and the Council are lodging a serious incident as to how a previous Town Clerk sold the land, and importantly the mitigation that he has to put in place including getting the Council to pay back £8,000 professional fees. A report is to go to Council alongside Annual Accounts highlighting all this.

5. **Conclusions/Recommendations**

- 5.1. The Council should ensure that they meet its legal requirements concerning the year end accounts (see 4.9.6), which the Clerk is aware of.
- 5.2. The Council has not met its full responsibilities as a Trustee which the Town Clerk is aware of and the Councils solicitors are dealing with.
- 5.3. 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: 6<sup>th</sup> June 2022**

