

YARM TOWN COUNCIL
INTERNAL AUDIT REPORT
2023/2024 Annual Return

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 Town Council may obtain an adequate level of assurance for its activities for the year.

3. Scope of the Work and the areas of Audit Work examined.

- 3.1 The Scope of Work covers the key control tests identified in the internal audit section of the AGAR, and these were examined. Detailed testing was carried out between April 2023 to March 2024.
- 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 for 2022/23

- 3.3. The audit findings of this report have been discussed with the Town Clerk and

any audit recommendations have been agreed with her.

4. Findings

4.1. Payroll

4.1.1 During 2023/24 the Town Council had one paid employee, Town Clerk.

4.1.2. The Council's payroll service is outsourced and the payroll provider produces the Council's payroll information which gives a better internal control for the Council.

4.1.3. This current audit examined the payroll records including timesheets, for the financial year and were found to be properly paid and processed, and properly recorded in the Council's accounts.

4.2. Creditors (Accounts Payable)

4.2.1 Financial regulations 4.2 state: Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This authority is to be determined by the council for all items over £5,000; or a duly delegated committee of the council for items over £500; or the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items below £500.

4.2.2 Financial regulations 5.2 state: The RFO shall prepare a schedule of payments requiring authorisation, forming part of the Agenda for the Meeting and, together with the relevant invoices, present the schedule to council. The council shall review the schedule for compliance and, having satisfied itself shall authorise payment by a resolution of the council. The approved schedule shall be ruled off and initialled by the Chairman of the Meeting. A detailed list of all payments shall be disclosed within or as an attachment to the minutes of the meeting at which payment was authorised.

4.2.3. Financial Regulations 5.6 state: For each financial year the Clerk/RFO shall draw up a list of due payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as but not exclusively, Salaries, PAYE and NI, Superannuation Fund and regular maintenance contracts and the like for which council [,or a duly authorised committee,] may authorise payment for the year provided that the requirements of regulation 4.1 (Budgetary Controls) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate meeting of council [or Finance Committee].

4.2.4 The procedure for presenting the payments for approval had been previously agreed by Council and an explanation of the 3 categories was given by the Chair of Finance at the 12th October 2023 Council meeting, where the payments list was agreed, and no objections were recorded in the minutes regarding the procedure.

The procedure was again queried by a Councillor at the 12th March 2024 Council meeting, where the explanation above was discussed and referred to, and no objections were recorded, and the payment list approved.

4.2.5. This audit covers all payments from April 2023 to March 2024 with detail testing

carried out from a Cashbook 1 report showing all payments for the year with the Internal Controls of the Council found to be satisfactory, where the above Financial Regulations and agreed procedure had been followed.

4.2.6. Financial Regulations 5.3 state that “All invoices for payment shall be examined, verified and certified by the RFO to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the council.” This was carried out.

4.2.7. All donations paid had been properly recorded.

4.3. Petty Cash

4.3.1. The Council does not have any petty cash, as small purchases are reimbursed by the Clerk (sometimes Councillors) through the payments system.

4.4. Risk Management/Corporate Governance

4.4.1. The Governance arrangements for the Council is improved by establishing a Finance and Governance committee. The Terms of Reference for this committee, had initially been adopted at the first meeting on 8th July 2020 with the aims to review the policies of the Council including, Financial Regulations, Standing Orders, Risk Register, Asset register, and to review Financial Reporting to the Council.

These are reviewed with the statement of accounts every year.

4.4.2. The above were approved with the statement of accounts on 13th June 2023

4.4.3. The Exercise of Public Rights was announced on 14th June 2023 and the inspection period covered, 15th June to 26th July 2023, and was placed on the Councils web site.

4.4.4. I understand that the report on the effectiveness of internal control for 2023/24 will be agreed with the statement of accounts, as it was the previous year.

4.4.5. NALC have issued a new model of Financial Regulations, and it is recommended that Councils adapt it for their use. I will review this during the interim audit in November.

4.5. Income collection and Banking arrangements

4.5.1. This audit involved detail sample testing on the systems.

4.5.2. Income can be received from allotment rents, cemeteries, and the Yarm Fair. Cash payments are collected by the Town Clerk where a receipt is given and is paid in on a paying in book. The paying in book reference number and date of banking is shown on the cash book 1 report for to enable checks to be carried out. The Council has 2 receipts books.one for the Yarm Fair and the other for General receipts
Income can also be paid by Direct Credit and is shown on the Cash Book 1 report as ref DC with the date of the banking shown on the Report.

4.5.3. Yarm Fair rents are collected on the site by two people (the Clerk and one other) and receipts given at point of collection, some pay Direct to Bank, and confirmed by the Clerk..

4.5.4. Allotments: A spreadsheet is maintained of all allotment holders which identifies the plot number and the payment details. Allotment rents are paid either by BACS or cheque/cash and were mainly collected and banked in October 2023 and the amounts received reconciled to the spreadsheet records, and to the cash book 1 report.

4.5.6. Cemetery income: The file of Notice of Burial forms was checked for 2023/24 which record the Burial Register number, receipt number and amount. The receipts were checked and confirmed, and the amounts correctly recorded in the Cash Book 1 report

4.5.7 Donations are also made at the Heritage Centre where the money is counted by 2 people and a receipt made out and paid into the bank account. Donations box is locked away at night.

4.5.8. I understand that money had been collected by Councillors for a stall they managed which was donated to a charity, but no receipt was given. It is essential that Councillors ensure that they are not open to accusations of not accounting for all the money collected and obtain a receipt when handing over monies.

4.5.9 All receipts can be traced to the Cash Book 1 report (receipts) by date identified by the direct credit (BACS) or banked through a paying in slip which records the name.

4.5.10. All income received on the Cash Book 1 report for receipts were confirmed to the receipts, paying in books and bank statements.

4.5.11. VAT is recorded within the finance system (vat control a/c), and claims completed and paid into the Councils bank account by Direct Credit (28th April, 10th July 2023, and 11th January 2024

4.5.12. During the year the Council had four bank accounts:

- Business Premium ME Account (investment/deposit)
- Business Free MT account
- NS and I Savings Account
- Public Sector Development Fund (investment)

4.6. Accounting records

4.6.1. The Council uses the Rialtas accounting software, which records all finance information within the system, and produces satisfactory reports throughout the year and at the end of years. At the end of the year the Council employ an experienced accountant on Rialtas to assist with **end of year** accounts.

4.6.2. All income and expenditure for the accounts were properly recorded in the minutes with bank reconciliations carried out and reported.

4.6.3. End of year bank reconciliation was completed and reconciled to the annual return.

4.7. **Security/Assets**

4.7.1. There is an Inventory held of all assets, which is agreed with the statement of accounts.

4.8. **Debtors**

4.8.1. There are no accounts raised for debts as Debtors either pay by cash, cheque at the Town Hall or by direct credit.

4.9. **Budgetary Control**

4.9.1. The budget process commenced with the planning process for the budget outlined at the 14th November 2023 Council meeting, draft budget discussed by the Council on 13th December 2022 following informal budget preparation meetings held with the Chair and Chairs of Committees and Working Groups, where fees and charges were also discussed, was further discussed by Full Council on the 19th January 2024 and approved at an EGM of Full Council on 26th January 2024. The annual budget was prepared to support the precept.

4.9.2. Budgetary Control is overseen by all Members of the Council where income and expenditure reports are scrutinised. This identifies any over/under spends for the year.

5. **Conclusions/Recommendations**

5.1. The only recommendation is to remind Councillors that if they collect monies then a receipt should be obtained on handing monies over.

5.2. I would also recommend that an interim audit with detailed tests on accounts payable and Income Collection and Banking be carried out to give further assurance to the Town Clerk and Councillors' that the internal controls are working well.



Gordon Fletcher (C.M.I.I.A.)

Internal Auditor,

Date: 5th June 2024