

AUDIT, RISK AND GDPR COMMITTEE

INTERNAL AUDIT REPORT

16 APRIL 2024

FINAL INTERNAL AUDIT REPORT

1.0 Purpose of the Report

1.1 The purpose of this report is to update council members on the work completed by the Internal Auditor.

1.2 The Internal Auditor had a fact finding couple of days to obtain an overview of the council's procedures. I have met with the council's Clerk, Finance Manager, Head of Leisure and Events, Golf Administrator, Sports Complex Manager, Senior Accountancy Assistant, Works and Environment Manager and the Grounds Maintenance Coordinator.

1.3 This was a very informative two days enabling me to get an understanding of the council's structures and meet staff/personnel.

1.4 I would like to thank the staff of Great Aycliffe Town Council for their professionalism and helpfulness throughout this audit process.

2.0 Background to the report

2.1 The Internal Auditor provides an independent appraisal function which all Smaller Authorities (which covers parish and town councils) must provide to meet the requirements of The Accounts and Audit Regulations 2015.

2.2 An authority is a "Smaller Authority" if the higher of the authorities gross income for the year and its gross expenditure for the year does not exceed £6.5m. The Accounts and Audit Regulations 2015 also refers to these authorities as a Category 2 authority. Great Aycliffe Town Council falls into this category.

2.3 The 2015 regulations quoted above require councils to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

2.4 The Public Sector internal audit standards have not been applied to “smaller authorities”

2.5 The council’s guidance on internal audit is contained in the Joint Panel on Accountability and Governance (JPAG) Practitioners Guide 2023. Section 4 of this guide covers Best Practice Guidance for Internal Audit.

2.6 Notwithstanding the above information the council’s Internal Auditor will work in accordance with the council’s approved Internal Audit Code of Practice. This sets out the purposes, powers and objectives of the Council’s Internal Audit Service, as well as specifying the standards, procedures to be followed and the documentation to be used by the Internal Auditor.

3.1 Audit Plan

3.1.1 The agreed 2023/24 Internal Audit Plan covered the items shown in the final page of this report. Individual audit reports have been prepared for each element of the Audit Plan. An interim report was submitted to members on 27 February 2024 which, at the time, included the following completed reports/appendices.

- Football pitch income - Appendix 1
- Events - Appendix 2
- Year end processes - Appendix 3
- Treasury management - Appendix 4
- Budget setting and budgetary control processes - Appendix 5
- Insurance - Appendix 6
- Donations and grants - Appendix 7
- Power of General Competence - Appendix 8

3.1.2 In addition to the above, and also as part of the 2023/24 Internal Audit Plan, further reports have been completed since 27 February. These reports are referred to in the narrative below. Please refer to the relevant appendices which are attached to this report.

Bar and Catering - see 3.2 below

- Financial and budgetary control - see Appendix 9
- Ordering and receipt of goods stores, materials and stock control - see Appendix 10
- Cash control and banking - see Appendix 11

Finance/Key Financial Systems - see 3.5 below

- Tendering and procurement - see Appendix 12

- Accounts receivable/accounts payable - see Appendix 13
- Cash control and banking - see Appendix 14
- Assets, equipment and asset management - see Appendix 15
- VAT returns (including gaming duty) - Appendix 16
- Payroll - see Appendix 17
- Members allowances - see Appendix 18
- Petty cash - see Appendix 19

Corporate - see 3.6 below

- Legislative Requirements/IT/Other - see Appendix 20
- Risk Management - see Appendix 21
- Corporate/admin ordering/receipt of goods - see Appendix 22

3.2 Bar & Catering including Financial and Budgetary Control, Ordering and receipt of goods, stores, materials and stock control, cash control and banking.

3.2.1 I have met with the council's sports centre manager and discussed the procedures that are in place for ordering and receipt of goods etc. An audit of these procedures was undertaken in March 2024.

3.2.2 Details of the financial and budgetary control have been assessed as part of the council's overall financial and budgetary control processes and discussions have taken place with the sports centre manager and finance manager.

3.2.3 I have evidenced the processes undertaken by the council's independent stocktaker. This is a long standing and good initiative by the council, enabling them to be fully aware of the stocks used/remaining and providing evidence of the council's overall gross profits for both bar and catering.

3.2.4 As part of the internal Audit Plan process requested by the council please see the following appendices for further, more detailed reports on bar and catering related to:-

- Financial and Budgetary Control (Appendix 9)
- Ordering and receipt of goods, stores, materials & stock control (Appendix 10)
- Cash control and banking (Appendix 11)

3.3 Football pitches, specifically income collection.

3.3.1 This has already been reported, See Appendix 1 from 27 February 2024 meeting.

3.4 Events including income and expenditure reviews and testing for large community events, bonfire night, santa tours, fun in the parks and Senior citizens excursions.

3.4.1 This has already been reported, see Appendix 2 from 27 February meeting.

3.5 Finance/Key Financial Systems Internal Audit Reports.

3.5.1 There are various topics covered by this internal audit. For further information on these please refer to Appendices 12 to 19 (mentioned in 3.1.2 above) which are attached to this report.

3.6 Corporate Internal Audit Reports

3.6.1 There are three topics covered by this internal audit. For further information on these please refer to Appendices 20 to 22 (mentioned in 3.1.2 above) which are attached to this report.

4 The Annual Governance and Accountability Return (AGAR)

4.1 Another very important and related element of the Internal Audit is the completion of page 3 of the councils AGAR. This document must be completed by an internal auditor appointed by the council. All Smaller Authorities must provide an internal auditors report by 30 June each financial year and this (page 3) must be advertised on a freely available public facing website.

The AGAR return also requires the completion of three other sections

- Section 1 - The Annual Governance Statement which covers nine assertions made by the council. This section must be agreed by full council and minuted accordingly. This must be signed by the Chair and Clerk.
- Section 2 - The Accounting Statement which provides details of a comparison of two years income and expenditure, cash reserves and balances and asset values. This must be signed by the council's Responsible Finance Officer before being presented to the council. This section must be agreed by full council (not a council committee) and minuted accordingly. Once approved by council the chair can countersign the statement.
- Section 3 is signed and provided by the External Auditor on completion of their audit. This must be done by 30 September each year. This will be signed by the council's external auditors (Mazars)

4.2 As mentioned above the Internal Auditor must certify whether the council has met the key indicators shown on page 3 of the AGAR. This report gives the councils appointed internal auditor the opportunity to comment and advise the council on the whether :

A Appropriate accounting records have been kept properly throughout the financial year. JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

- Ensure the correct roll forward of the prior year cash book balances to the new financial year.

Checks made to the accounts reveal that the correct cash book balance has been rolled forward from one year to the next. The cash book balance at 31 March 2023 (£247,128.60) this was rolled forward to reflect the opening balance at 1 April 2023.

- Check a sample of financial transactions in cash book's to bank statements, etc: the sample size dependent on the size of the authority and nature of accounting records maintained

Appropriate testing has been carried out on both income and expenditure transactions. Appropriate accounting records have been maintained throughout the year. See also separate report on this topic in Appendix 13 which is attached to this report.

- Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members.

Monthly bank reconciliations are prepared by the Senior Accountancy Assistant and independently checked by the Finance Manager. Details of monthly bank reconciliations are reported to every Policy and Resources Committee for the approval (sign off) of members.

With monthly bank reconciliations carried out this ensures that transactions have been appropriately recorded and maintained.

- Verify the accuracy of the year-end bank reconciliation detail and ensure accurate disclosure of the combined cash and bank balances in the AGAR, section 2, line 8.

AGAR section 2 line 8 (£1,711,738) was checked and agreed to the year end combined cash and bank balances. This comprised of current account (£247,128.60), Sports Complex Catering account £200.00, Business Premium account (£297,479.67), Public Sector Deposit account (£1,150,000.00) Petty cash floats (£3,587.86) and cash in transit (total of £13,342.09 including £9,480.09 (Sports complex) £3,862.00 (Golf complex))

- Where the authority has bank balances in excess of £100,000 it has an appropriate investment strategy.

The council has an appropriate investment/Treasury Management Policy.

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

B This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for. JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

- Review the procedures in place for acquisition of formal tenders and quotes, ensuring they are in line with the SOs and FRs which should be based on the latest version.

Quotes were required for various schemes, for example, three quotes were obtained for the resurfacing of safety surfaces at St. Oswalds play area costing between £5,501 and £54,999.

Similarly, a new play area was installed in Byerley Park using section 106 monies of over £66,012.69 obtained from Durham County Council. The estimated cost of providing the new play area was around £70,000. Four companies were informed of the necessary tender specifications for the equipment and given the “ball park” estimate of around £70,000 to work with.

The approaches taken above comply with the councils Standing Orders and Financial Regulations. Further details of this process can be found in Appendix 22, which is attached to this report.

- Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs (frequently different limits are recorded in the two documents)

The following information is reflected in both the councils Standing Orders and Financial Regulations

- *No written quotations required for any purchases up to and including £5,500*
- *Three competitive written quotations for purchases between £5,501 and £54,999*
- *Between £55,000 and £213,477 use the Government’s Contract Finder Service.*
- *Over £213,477 using GPA and three tenders must be sought.*

There are certain exemptions to the above requirements and these are reflected in the councils Standing Orders.

- Review the procedures for receipt of invoices, agreement of invoice detail and confirmation of goods /services delivery and approval for payment: ideally, a suitably designed certification stamp should be in place providing for evidencing of these checks and payment authorisation.

A sample of varying invoices has been tested for the period 1 April 2023 to 31 March 2024. Purchase orders were placed and, where appropriate, if goods received/delivery notes are provided, they are matched to the order and invoices for validity leading ultimately to approval for payment through the

nominal ledger.

Coding slips attached to invoice payments identify the independent officers involved in the above processes.

- Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments.

The above sample check revealed that all invoices were approved for payment and that separation of duties exists during the ordering/invoice payment process. The coding slips mentioned above provide this evidence.

- Check that VAT reclaims are prepared and submitted in a timely manner in line with the underlying records and in accordance with current HMRC requirements

Quarterly VAT recoveries are made from HMRC. Information is electronically produced from the OPERA Financial Management System. The claims are submitted in accordance with HMRC requirements. See attached Appendix 16 for further details.

- Where debit/credit cards are in use, establish the total monthly and individual transaction limits and ensure appropriate controls over physical security and usage of the cards are in place.

A credit card is in use in the council offices with a now revised limit of £7,000 and a debit card in the sports complex with a limit of £200.

The council's office credit card is used primarily to purchase items from the internet or if purchase orders etc cannot be issued. Ordering is controlled via one officer who will place orders at the request of other officers - for example the Sports Complex Manager. Coding details for the expenditure are provided by the relevant manager. Once a credit card payment request is made finance staff deal with the necessary bank transfer information etc.

The sports complex card is linked to a Tesco account and is only used for these purchases. An online order is submitted which is directly linked to the debit card and a separate bank account. The limit for purchases is £200. When an order is received the "paid" invoice is forwarded to the Finance section with a Petty Cash reimbursement request. Finance section will replenish the card as soon as possible back up to its £200 limit. The reimbursement of funds back to the account is approved by the Finance Manager. See Appendix 11 for further details.

The previous internal audit undertaken by Durham County Council intimated that the limit on the council office credit card should be reduced from its current level of £10,000. This has subsequently been reduced to £7,000.

Cards are retained safely and securely in the council offices and in the Sports Complex.

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

C This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

- Ensure that authorities have prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc.

The council has an appropriate risk register in place to identify and assess the adequacy of its risk related activities. This is considered on a quarterly basis for high risks, half yearly for medium risks and on an annual basis for low risk items. Full council gets to consider and approve the Risk Register on an annual basis.

Any ad hoc risks identified in the quarterly meetings mentioned above are added to the register as they arise. Council is notified of any additions to the risk register.

See also attached Appendix 21 for further details.

- Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' (where applicable) liability, fidelity guarantee., employees (including councillors) liability, business interruption and cyber security cover.

Adequate insurance arrangements are in place to deal with any insurable risks arising from council activities. Insurance replacement costs are identified for land, buildings and vehicles etc. The current insurance policy does include cover for public and employers liability, business interruption but does not cover cyber security.

Separate cyber security measures are being considered by the council.

Also refer to Appendix 6 which was submitted to the Audit Committee meeting held on 27 February.

- Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports pitches: such reviews should be undertaken by appropriately qualified external inspectors or, if by officers or members, that they have received the appropriate training and accreditation.

Annual Independent play area inspections are carried out by The Play Inspection Company, Weekly inspections carried out by RPII qualified council staff. Bi weekly visual inspections carried out by park patrol maintenance staff. All reports are recorded and stored in the works depot.

Sports pitches have the goal posts checked on a weekly basis. Visual maintenance inspections are carried out by maintenance staff during pitch marking and cutting of grass. Again records are kept in the works depot.

Trees on open space land are inspected independently on a three year basis. However, because of ash dieback there are annual inspections made to these trees and the works manager carries out 6 monthly checks on really susceptible trees. The council has also adopted a Tree Management Policy.

- Review the effectiveness of internal control carried out by the authority

An Internal Control Effectiveness Review was undertaken and reported to full council on 13 March.

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

D The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate. JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

- Ensure that the full Authority, not a committee, has considered, approved and adopted the annual precept for the coming year in accordance with the required parent Authority timetable.

Following an extensive budget setting process (September 2023 to January 2024) for both revenue and capital, the 2024/25 budget requirement was considered and approved at the Policy and Resources Committee meeting held on the 24 January 2024.

To comply with legislation these approvals have to be approved by full council. Details of the 2024/25 budget requirement and resulting precept request were subsequently reported to the Full Council and approved by members at the meeting held on 31 January 2024.

See previously submitted (27 February meeting) Appendix 5 for further detail.

- Ensure that current year budget reports are prepared and submitted to Authority/Committees periodically during the year with appropriate commentary on any significant variances.

Individual Service Budgetary Control documents are prepared monthly and investigated by both the Finance Manager and Service Managers. Additionally, quarterly Budgetary Control documents are reported to the councils Policy and Resources Committee. This report provides explanations of budget variances for members information.

In September and December of each year Policy and Resource Committee members are also provided with a predicted budget outturn report and

reasons for any variances.

See previously submitted (27 February meeting) Appendix 5 for further detail.

- Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances.

See comments made above regarding in year budget performance. At the end of year an outturn report is produced for officers to examine and confirm detail of any variances. This is also reported to the council's Policy and Resources Committee.

- Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process.

Specific earmarked reserves are used by the council, examples of which include, Building Works (£250,000), Vehicle and Machinery £250,000, ICT and Office equipment (£75,000)

The level of reserves (Revenue, Earmarked, Capital and General reserves) held by the council at 31 March 2024 was £1,200,000 of which, general reserves are £285,732. The council's policy is to try and maintain a level of reserves of around £1,000,000 so the current level of reserves is considered to be appropriate. This is an acceptable policy.

The Level of council reserves was reviewed as part of the precept report to full council on 31 January 2024.

It has been reported that the level of reserves has recently been on a downward trend and efforts are being made to ensure the council's policy decision is adhered to.

The recently received VAT windfall has helped to achieve the current level of reserves.

- Ensure that the precept received in the accounts matches the prior year submission form to the relevant authority and the public record of precepted amounts.

The 2023/24 precept request agreed by council on 25 January 2023 was £1,890,739. The same precept figure is reflected in the Durham County Council Precept setting report dated 22 February 2023.

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for. JPAG Governance and Accountability guidance recommends the following to be

assessed as part of this assertion.

- Review “Aged debtor” listings to ensure appropriate follow up action is in place

Income from council activities is controlled by the Senior Accountancy Assistant and Finance Manager. Debtors are controlled within a 21 day payment request. Any aged debtors are subject to follow up action.

- Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored.

Signed tenancy agreements are retained and in place for all allotment holders. Full details are maintained on a comprehensive spreadsheet which lists details of all plots held by the council, who has the agreement with the council and for which allotment, the relevant charge for the allotment and whether it has been paid. This is controlled by the Grounds Maintenance manager and office staff.

A sample check of tenancy agreements was checked for the St Oswalds site. Most were signed agreements. Some new agreements are dealt with by email and as such are not necessarily physically “signed” as agreed. It is taken that the Tenancy Agreement has been signed when payment is received for the allotment.

Allotment tenancy bill invoices are prepared by the Finance section based on information provided by other office staff. Once produced they are double checked for accuracy and distributed to tenants with an accompanying annual letter. A copy of the letter was sighted and examined.

Bills are levied on an annual basis for the period January to December of each year. Some different date rentals and charges exist for poultry and bee keeping plots. Annual fees and charges are determined by the council.

Legally, twelve months notice is required to be given to allotment holders concerning any increase in allotment rents. For example when new rental charges for January to December 24 are issued in December 2023, tenants are notified of their January to December 25 rental too.

Allotment tenancy holders have 21 days to pay their tenancy agreement. If not paid by this date follow up reminders are issued and a further follow up reminder if not paid following the initial reminder. Legally if an allotment tenancy is not paid within 40 days the tenant can have their tenancy agreement terminated. Officers allow a little more time to pay bills before eviction. Bills can be paid by cash, cheque or BACS and full payment details are recorded on the spreadsheet.

A register of tenants exists which enables the council to identify its allotment tenants and their status regarding payment of their tenancy with the council.

- Burials: ensure that a formal burial register is maintained that it is up-to-date and

that a sample of interments and memorials are appropriately evidenced, that fees have been charged at the correct approved rate and been recovered within a reasonable time: (Authorities should also acquire and retain copies of Burial / Cremation certificates)

The digitised burial register has been inspected. All records for both cemeteries have been digitised. A separate hard copy burial register is also maintained which has been inspected for accuracy. If one of the hard copy records are lost (which they should not be) details of the register etc can be provided from other records available and the lost information can be recreated. The digital records held will also enable any lost hard copy records to be recreated.

Burial fees and charges are reviewed and approved by council on an annual basis, usually in November to become effective on 1 April following.

Whenever a grant of burial is issued the appropriate paperwork is prepared. This is only issued once independent checks have been made which involve the clerk and other council staff. The Clerk's signature is required before any paperwork is issued or invoices raised.

Appropriate fees are raised by an invoice created by the Senior Accountancy Assistant. This is only undertaken following the issue of an invoice requisition which is issued by the Grounds Maintenance Manager. Charges are shown on this requisition by the Grounds Maintenance Manager which are checked for accuracy by finance staff before the invoice is raised for payment.

A sample check of Grant of rights of burial were selected for inspection including resident and non resident burials. Appropriate charges were levied in accordance with the councils approved Fees and Charges.

- Hall hire: ensure that an effective diary system for bookings is in place identifying the hirer, hire times and ideally cross-referenced to invoices raised.

This is arranged through the council's XN advantage/TMLS database system. Functions and Block bookings are arranged via the raising of invoices. Sports centre staff notify Finance Section of function invoices to be raised. Finance section will raise invoice and notify sports centre when payment has been made and they update spreadsheet to control aged debtors etc. See Appendix 11 for further detail.

- Leases: ensure that leases are reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time.

The council has no leases with other organisations at the moment. It has a rental arrangement with an undertaker who rents part of a cemetery property. This is reviewed every five years.

- Other variable income streams: ensure that appropriate control procedures and documentation are in existence to provide a clear audit trail through to invoicing

and recovery of all such income.

The council has a few income streams such as a mast in the depot, solar panel income through a feed in tariff, investment income which do not require the raising of an invoice.

Other income generated includes hire of halls which is controlled through the XN advantage/TMLS database system, invoices are raised for these charges. Invoices are prepared for other miscellaneous income such as carers accompanying senior citizens on trips and chargeable pre-school income. Miscellaneous charges are levied, for example dog poo bags which can be purchased from the council offices. A receipt is issued and the appropriate accounting arrangements are made to reflect these types of purchases.

Once again information is supplied to the Finance Section who will raise the necessary invoices, ensure payment and seek aged debtor reparations if required.

Allotment, football pitch and burial income is raised through the issue of invoices but see the information shown above. A separate Football Pitch audit was undertaken see Appendix 1 which was previously submitted on 27 February 2024.

- Where amounts are receivable on set dates during the year, ensure that an appropriate control record is maintained duly identifying the date(s) on which income is due and actually received / banked.

The council's half yearly precept and grant payments are due from Durham County Council in April and October each year. A register is not maintained but the amount is immediately recognisable in the bank statements. Finance staff are fully aware of this payment for cash flow and treasury management purposes.

Quarterly meter readings are submitted for the Solar Panel installations and the feed in tariff agreement results in a payment being received without raising an invoice. Similarly, income from the mast in the depot is automatically paid as part of the agreement.

VAT has been appropriately applied and recorded in the accounts for all invoices raised by the council.

VAT is appropriately accounted for and applied to invoices raised by the council. See attached Appendix 16 attached.

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

F Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

A number of authorities are now running down and closing their petty cash accounts and using debit / credit cards for ad hoc purchases.

Speaking with the Finance Manager and Council Clerk they are happy to continue with the current Petty Cash systems and controls that are in place. A credit card is used in the council offices for office purchases and a debit card is used for food purchases in the sports complex.

It is considered that the introduction of further Debit/Credit cards would carry with them additional associated financial risks which would be too great. For example debit cards are automatically charged to the councils accounts so greater financial controls would need to be introduced. In some areas only one officer would have control of the debit card which would prove inaccessible if this person is off work.

JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

- Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc)

Petty cash and float systems have been checked as part of the Internal Audit Plan checks - See Appendices 11 & 19 attached to this report for further information on this topic.

- Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held.

Petty cash transactions were inspected by internal audits carried out during the year. The inspections revealed that all petty cash payments were supported by appropriate documentation. See attached Appendices 11 & 19 for further information on this topic.

- Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held.

Monthly evidence showed independence verification of petty cash accounts and submission to finance section for reimbursement. Float balances were checked by office staff in May 2023 and independently by the Internal Auditor in November 2023 and February 2024. Petty cash balances are also independently audited at 31 March each year as part of the end of year processes. See also attached Appendix 11 & 19.

- Ensure that VAT is identified wherever incurred and appropriate

Examination of a sample of documents revealed that VAT was appropriately accounted for for petty cash purchases. See also appendix 16.

- Physically check the petty cash and other cash floats held.

Internal audit investigations included physical checks on petty cash and cash floats in October/November 2023 and February 2024. See Appendix 19 too.

- Where bar or catering facilities are in place, ensure that appropriate cashing-up procedures are in place reconciling the physical cash takings to the till “Z” total readings.

Z total readings are reconciled at the change of each shift by both the bar and reception area staff. The full results of this audit are contained in a separate internal audit - see attached Appendix 11.

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

G Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied. JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

- Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract.

There are currently seventy one staff on the staff establishment, four of which are vacancies and one of which are frozen posts. A further twenty one staff are included on the casual staff register. Casual staff are on zero hours. These numbers will fluctuate from time to time due to staff leaving, retiring, starting etc.

A sample check of permanent (10) and casual based staff (2) on the October payroll were selected. Contracts of employment were in existence for all those sampled.

See attached Appendix 17 for further detail.

- Ensure that, for a sample of staff salaries, gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate, if off-scale, and also with the contracted hours

Sample check taken reveals that all employees sampled were receiving the correct rate of salary in accordance with information contained on the Staff Register. NJC rates of pay paid to all employees. The contracted hours shown on the staff register were verified as being applicable to the salaries paid for October 2023. A further audit was undertaken on a selection of February 2024 salary payments to ensure new rates of salary agreed in November 2023 had been applied. As above see Appendix 17.

- Ensure that appropriate tax codes are being applied to each employee

Appropriate tax codes, issued by HMRC are being applied to the sample of employees taken. See Appendix 17.

- Where free or paid for software is used, ensure that it is up to date.

Software is updated by supplier to ensure correct PAYE and NI contributions are payable although it looks as though there are slight immaterial discrepancies on NI contribution payments. Software is up to date.

See Appendix 17 and below for comments on Employer and Employee Pension contributions.

- For the test sample of employees, ensure that tax is calculated appropriately

PAYE deductions were correctly calculated using the PAYE tax codes entered into the salary system. Sample checks revealed the correct amount of tax was being deducted.

- Check the correct treatment of Pension contributions

Employee pension contributions vary according to staff salary levels and appear to be correct. Employer contributions are 19.5% of gross pay.

The current salary software does not accommodate the calculation of the employee and employer pension contributions.

An annual manual calculation of employee contributions is calculated on a separate spreadsheet . These details are then introduced into the salary system once to enable the correct taxable pay to be calculated and the appropriate HMRC PAYE tax to be deducted. The manual calculation of employee pension contributions will not need to be amended unless there is a change in salary during the year e.g. a pay award is approved. A similar manual calculation and system is adopted for the for councils employer pension contribution.

Employee pension contributions are deducted from gross pay so correct PAYE deductions can be made.

Similarly the Senior Accountancy Assistant also has to manually calculate the correct employer pension contributions to pay over to the pension fund.

Individual manual calculations are also made for those staff whose salaries fluctuate due to overtime payments.

See Appendix 17 for further detail on this topic.

- For NI, ensure that the correct deduction and employer's contributions are applied.

A sample was checked which revealed that Employees NI is calculated correctly by taking gross salary less the primary threshold of £1,048 per month and multiplying the result by 12%. This concurs with the HMRC requirements.

Changes to NI have been introduced since the audit and a further change is expected following the 6 March 2024 budget announcement..

The sample checked also revealed that Employers NI is calculated correctly by taking gross salary less the secondary threshold of £758 per month and multiplying the result by 13.8%. This concurs with the HMRC requirements

- Ensure that the correct employers' pension percentage contribution is being applied

The actuarial valuation employers rate of 19.5% notified by Durham County Council is applied for the employers pension contribution.

As explained above a manual calculation is carried out to ascertain the employers pension contribution to be paid Durham County Council.

See Appendix 17 (Payroll) for further details.

- Ensure that for the test sample, the correct net pay is paid to the employee with tax, NI and pension contributions correctly paid to the respective agencies.

Correct net pay paid for all sampled employee records. Appropriate payments made from the October payroll for all agencies including HMRC, Durham County Council, Unions etc.

Both officer salaries and members allowances are processed through the same payroll.

October 2023 employee salaries were examined during an audit carried out in November. PAYE and NI requirements were appropriately calculated and paid over to HMRC by the required monthly deadlines.

Subsequent amendments were made to salaries following the November agreement of NJC rates payable from 1 April 2023 to 31 March 2024. A check on the revised salaries was undertaken in March 2024.

See Appendix 17 for further detail.

- Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability

Members allowances of £1,330 per annum have been correctly paid on a monthly basis. This concurs with the members allowance scheme currently approved by the council. New starter and leaver requirements have been adhered to. HMRC provided tax codes have been examined. HMRC is provided with real time information on a monthly basis and the appropriate payments for PAYE and NI deductions were made by the 20th of the month following salary/allowance payment.

See Appendix 18 (Members Allowances) for further detail on this topic.

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

H Asset and investments registers were complete and accurate and properly maintained. JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

For further detail on this topic please refer to attached Appendix 15 (Assets, Equipment and Asset Management).

- Ensure that the Authority is maintaining a formal asset register and updating it routinely to record new assets at historic cost price net of VAT and removing any disposed of / no longer serviceable assets

The council maintains an asset register which is shown online for 2022/23. Assets are recorded at cost price on the register. New additions and disposals can be seen on this register.

- Physically verifying the existence and condition of high value, high risk assets may be appropriate.

The council's major assets such as land and buildings are self evident. Other high value, high risk assets are held in the Councils depot and are used on a daily basis.

- Ideally, the register should identify for each asset the purchase cost and, if practicable, the replacement / insured cost, the latter being updated annually and used to assist in forward planning for asset replacement.

The Asset register does show the asset purchase cost but does not show the replacement cost/insured cost. This information is held elsewhere within working papers and is used to apportion the insurance premiums across the assets values held in individual service budgets.

The Council's Ten Year Asset Management Plan also contains details of asset replacement costs. This is used for budget setting procedures especially for any future asset/capital purchases.

- Additions and disposals records should allow tracking from the prior year to the current.

This is reflected in the asset register document.

- Ensure that the asset value to be reported in the AGAR at section 2, line 9 equates to the prior year reported value, adjusted for the nominal value of any new acquisitions and/or disposals

The prior year asset register figure of £9,837,534 is referenced on the 2021/22 AGAR section 2 line 9. The 2022/23 AGAR Section 2 line 9 figure is also £9,973,236.

- Compare the asset register with the insurance schedule to ensure that all assets as recorded are appropriately insured or “self-insured” by the Authority Fixed asset investments.

It would appear, from an explanation provided, that not all asset register entries are readily identifiable in the Insurance Schedule. It would however seem that appropriate insurance arrangements are in place.

- Ensure that all long-term investments (i.e., those for more than 12 month terms) are covered by the “Investment Strategy” and reported as Assets in the AGAR at section 2, line 9. Borrowing and Lending:

The council has no Long term investments

- Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired.

The council only has one loan approval in operation. This is for £200,000 over a 25 year period taken out in 2004 for the creation of a Town Park. Appropriate approval was granted for this loan to proceed with the Public Works Loan Board (PWLB).

- Ensure that the authority has accounted for the loan appropriately (i.e., recorded the full value of the loan. Any arrangement fee should be regarded as an admin expense) in the year of receipt.

It is assumed that the value of the loan was correctly accounted for in 2004. The current outstanding value is correct and balances with information provided by the PWLB.

- Ensure that the combined principal loan repayment and interest for the year is correctly recorded in the AGAR at section 2 line 5.

Appropriate principal and interest payment figures for 2021/22 and 2022/23 are shown on the AGAR at section 2 Line 5

- Ensure that the outstanding loan liability as at 31st March each year is correctly recorded in the AGAR at section 2, line 10 (value should be verified via the DMO website)

Appropriate figures of the outstanding loan amounts are reflected in Section 2 line 10 of the AGAR.

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

I Periodic bank account reconciliations were properly carried out during the year. JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

Monthly bank reconciliations are prepared by the Senior Accountancy Assistant to ensure the integrity of nominal ledger information to the independently produced bank account information. This information is rechecked by the Finance Manager.

Monthly bank reconciliation information produced is submitted to the councils Policy and Resources Committee for information and approval.

See Appendix 5 reported to Committee on 27 February 2024.

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

J Accounting statements prepared during the year were prepared on the correct accounting basis, (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

Whilst IA's are not required to verify the accuracy of detail to be disclosed in the AGAR, this assertion, together with the expectation of most Authorities, effectively requires IAs to ensure that the financial detail reported at section 2 of the AGAR reflects the detail in the accounting records maintained for the financial year. Consequently, IAs should

- Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to facilitate budget reporting in that vein

In accordance with JPG Governance and Accountability Guidance the council prepares its accounting statements on an income and expenditure basis including details of comprehensive accruals at year end. This ensures that an accurate record of actual costs incurred for the year end are prepared on an income and expenditure basis.

- Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end

Extensive and appropriate accruals are made by the Finance Manager at the year end - see previously reported Appendix 3 for further detail on this topic.

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

K If the authority certified itself as exempt from a limited assurance review in 2022/23, it met the exemption criteria and correctly determined itself exempt. If the Authority had a limited assurance review of its 2022/23 AGAR tick "not covered". JPAG Governance and Accountability guidance recommends the

following to be assessed as part of this assertion.

- IA's should ensure that, all relevant criteria are met (receipts and payments each totalled less than £25,000)
- the correct exemption certificate was prepared and minuted in accordance with the statutory submission deadline.
- that it has been published, together with all required information on the Authority's website and noticeboard

This exemption is only available to smaller councils that have an annual gross income or expenditure of less than £25,000 per annum. Therefore, Section K does not apply to Great Aycliffe Town Council as it is not able to certify itself as exempt from a limited audit review. I have therefore ticked "not covered" for this section.

L The Authority published the required information on a website/webpage, up to date at the time of the internal audit, in accordance with the relevant legislation. JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

This test applies only to those councils covered by the £25,000 External Audit exemption IAs should review the Authority's website ensuring that all required documentation is published in accordance with the Transparency Code.

However, local councils with a gross annual income or expenditure exceeding £200,000 are subject to the Local Government Transparency Code 2015. Section 2 of this document requires the following information to be published on a council website.

On a quarterly basis

- Details of any expenditure exceeding £500. *At the time of inspection (October 2023), details of expenditure exceeding £500 is shown online for April to December 2023.*
- Government Procurement Card transactions. *This is not applicable to Great Aycliffe Town Council.*
- Procurement information exceeding £5,000. *This level of expenditure detail is included in the above report detailing expenditure over £500.*

On an annual basis

- Local Authority land - *Details of land and property are shown on a Land and Property Owned by GATC document which is available for inspection online. Mapping details are also available online for each area of land owned by the council.*

The councils Asset Register 2022/23 is also available online and this lists all of the council's assets including land assets. This is updated on an

annual basis as part of the final accounts process.

There is also online evidence of a 10 year Asset Management Plan produced in June 2018. The schedule of assets reflected in this plan is update annually.

- Social Housing assets -

This is not applicable to Great Aycliffe Town Council.

- Grants to voluntary, community and social enterprise organisations -

The council has produced a Grants and Donations Policy which is available for inspection online. Details of grants made to organisations are recorded in the council's minutes and a separate spreadsheet is also produced for public inspection. This spreadsheet is readily available online as part of the council's Transparency information.

- Organisation chart

The councils May 2023 Town Council Organisation Structure provides this information online. This is therefore readily available for inspection.

- Trade union facility time - *This is not applicable to Great Aycliffe Town Council.*

- Parking accounts - *This is not applicable to Great Aycliffe Town Council.*

- Parking spaces - *This is not applicable to Great Aycliffe Town Council.*

- Senior salaries

Salary Information and pay multiple information is shown online for 2022/23. As previously reported, salary information will be updated once the final 2023/24 salary payments have been made. The clerks salary is reflected online too.

- Constitution -

The council's Constitution is continually available online. It is examined and considered annually to ensure it meets the full council's requirements.

- Pay multiples

Salary Information and pay multiple information is shown online for 2022/23.

- Fraud- nothing to report on this topic.

Details to be published only once

- Waste Contracts - This is not applicable to Great Aycliffe Town Council.

The Code then goes on to say that it recommends more information should be published than is shown above, for example:-

- Expenditure data exceeding £250 and not £500 as reflected above
- Procurement over £500 and not £5,000 as reflected above
- Local authority land
- Parking spaces
- Organisation chart employees exceeding £50,000, salaries band for each employee. Details of any current vacancies or ones which are going to be advertised in the future. Vacancies are shown online as they arise.
Organisation chart and employee salaries are shown online for 2022/23
- Grants
- Fraud

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

M In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2023/24 AGAR period, were public rights in relation to the 2022/23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set.) JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

- IAs should acquire / examine a copy of the required “Public Notice” ensuring that it clearly identifies the statutory 30 working day period when the Authority’s records are available for public inspection. IAs may also check whether councils have minuted the relevant dates at the same time as approving the AGAR

Following full council approval on 14 June, the Notice of the Exercise of Public Rights for the 2022/2023 accounts was published online on 15 June 2023. Approval was granted on the dates set for inspection (16 June 2023 to 27 July 2023) at the full council meeting held on 14 June 2023.

The dates set include the first two weeks of July and cover the thirty day working period required under the Local Audit and Accountability Act 2014 and the Accounts and Audit (England) Regulations 2015 (SI 234).

The dates set by the council are recorded in minute 41 of the council’s records.

Great Aycliffe Town Council has complied with the publication requirements for the 22/23 AGAR and I am therefore of the opinion that this assertion has been complied with and have certified it accordingly.

N The Authority has complied with the publication requirements for 2022/23 AGAR (see AGAR Page 1 Guidance Notes) JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

- IAs should ensure that the statutory disclosure / publication requirements in relation to the prior year's AGAR have been met as detailed on the front page of the current year's AGAR.

The statutory/publication requirements in relation to the prior years AGAR have been met.

Under the Accounts and Audit Regulations authorities must publish the following information on the authorities website/web pages:-

Before 1 July 2023 authorities must publish

- **Notice of the Period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited.**

This was achieved on 15 June 2023. See also section M above.

- **Section 1: The Annual Governance Statement 2022/23 approved and signed, page 4.**

This was achieved by the publication of signed Section 1 of the AGAR on 15 June.

- **Section 2 Accounting Statements 2022/23 - approved and signed page 5.**

This was achieved by the publication of Section 2 of the AGAR on 15 June.

Not later than 30 September 2023 Authorities must publish

- **Notice of Conclusion of Audit**

This notice was posted online on 11 September 2023 and was then considered and approved at the Policy and Resources Committee held on the 20 September 2023.

- **Section three External Auditor Report and Certificate**

This notice was also posted on 11 September 2023 and considered and approved at the Policy and Resources Committee held on the 20 September 2023.

- **Sections 1 & 2 of AGAR including any amendments as a result of the limited assurance review**

These sections (unamended) were published online on 11 September and considered and approved at the Policy and Resources Committee held on the 20 September 2023.

- **It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report (page 3).**

This was achieved on 15 June when full details of the Internal Auditors Report (page 3) was published online on the councils website.

I am of the opinion that Great Aycliffe Town Council has met this criteria and can therefore certify the Internal Audit Report (page 3) accordingly.

O For Local Councils only) Trust Funds (including charitable) - The council met its responsibilities as a trustee. JPAG Governance and Accountability guidance recommends the following to be assessed as part of this assertion.

- Confirm that all charities of which the council is a Trustee are up to date with CC filing requirements
- that the council is the sole trustee on the Charity Commission register
- that the council is acting in accordance with the Trust deed
- that the Charity meetings and accounts recorded separately from those of the council
- review the level and activity of the charity and where a risk based approach suggests such, review the Independent Examiners report

Great Aycliffe Town Council is not involved in any Trust (including Charitable trust). I have therefore certified the Internal Audit Report as not applicable.

Stephen Ragg
Internal Auditor
April 2024

INTERNAL AUDIT PLAN

RECREATION COMMITTEE	Days
Bar & Catering including Financial and Budgetary Control, Ordering and receipt of goods, stores, materials and stock control, cash control and banking.	7
Football pitches , specifically income collection.	1
Events including income and expenditure reviews and testing for large community events, bonfire night, santa tours, fun in the parks and Senior citizens excursions	6
POLICY AND RESOURCES COMMITTEE	
Finance/Key Financial systems including Tendering/procurement, accounts receivable, accounts payable, cash control and banking, year end processes, assets, equipment and asset management, VAT returns (including gaming duty), Treasury Management, Monthly payroll, members allowances, Budget setting and budgetary control processes, Insurance, Petty Cash, Donations and grants, Power of General Competence.	18
Corporate including Legislative requirements, Risk Management and corporate/admin ordering/receipt of goods.	6
AUDIT POLICY AND MANAGEMENT	
Including Audit Sub Committee and report	
Service support including supporting the council through the provision of the required reporting arrangement and attendance at meetings. Providing reports and attending meetings where required. This includes regular progress meetings with the Finance Manager to discuss delivery of planned work and any issues of current importance and the verification of action taken by management in implementing agreed Internal Audit recommendations.	6