

HUTTON HENRY and STATION TOWN PARISH COUNCIL

INTERNAL AUDIT REPORT

2025/2026 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 £25,0000 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. The AGAR is made of 3 sections along with an annual internal audit report. which is to be completed by the Parish Council's independent internal auditor, who is to give an opinion of the Parish Council's internal controls.
- 1.3. CDALC have provided Councils with a checklist to be used, this annual audit uses this list as the minimum of the tests to be carried out.

2. Objectives of the Audit

- 2.1. To examine the system of internal controls to ensure that the Parish Council may obtain an adequate level of assurance for its activities.

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

- 3.1 The Scope of Work covers the ten key control tests identified in the Internal Audit part of AGAR.
- 3.2. To properly complete the audit the following areas of activity have been examined and tested by Internal Auditor:
 - Payroll
 - Creditors including any petty cash
 - Risk Management
 - Income collection and Banking arrangements
 - 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 The Parish Council has 2 employees who work fixed hours, Parish Clerk and Grounds man, Any increases in the rates of pay is determined by the National Pay award for local government workers and are approved by the Council Members.
- 4.1.2. The Parish Council had a SLA with Durham County Council (DCC) to provide a payroll service for them. DCC held all standard payroll information for the Council and were notified by the Clerk of any changes to the payroll information when required. DCC paid the employees and any deductions and all payroll expenditure is automatically taken by direct debit (BACS) by DCC out of the Councils bank account. This SLA ceased in December, and a new external agent runs the payroll service from January 2026. All payments were confirmed for the year.

4.2. Creditors (Accounts Payable)

- 4.2.1. There is no separation of duties at the Parish Council as the Clerk is the only Officer responsible for Finance and Administration. Compensating controls are in place as all Councillors' attend the Council meeting and the Chair confirms the invoices before payment is made.

The Council pays for its accounts by electronic payments, and debit card where the Clerk and the Chair authorize payments from the bank.

- 4.2.2. Payments are prepared by the Responsible Finance Officer (Clerk) and are recorded in the minutes which are signed by the Chair.
- 4.2.3. Examinations of all payments between April 2025 to March 2026 were confirmed in the bank statements, minutes and the Cash Book1 reports (payments) from the Rialtus system and were found to be correct.
- 4.2.4. Any donations paid had been agreed by the Council prior to payment being made.
- 4.2.5. The Grounds man is authorized a petty cash float instead of claiming expenses. Records are kept in a book of the top up and expenditure (receipts) and these were confirmed.
- 4.2.6. The Clerk completes the monthly expenses form (mainly travel) with receipts attached (where necessary) which are signed by the Chair. The forms had all been properly completed.
- 4.2.7. The Clerk has a debit card in the Council's name and is used instead of her being reimbursed when purchasing items, (receipts attached) this enables the Council to claim vat back on the items purchased.

4.3. Risk Management/Governance

- 4.3.1. A risk assessment review is carried out and approved by the Parish Council with the statement of accounts every year, (i.e 12th May 2025). There also appears to be adequate insurance cover for all assets of the Council.
The risks to the Parish Council have also improved with the appointment of the independent Internal Auditor who gives assurance on the Council's activities.
- 4.3.2. The Parish Council has a small budget with only 2 employees with good Financial Regulations and therefore its risks are considered low.
- 4.3.3. The Council takes steps each year to reduce its risks by reviewing various policies throughout the year with Standing Orders and Financial Regulations reviewed every year, (i.e 12th May 2025) to ensure that they are still fit for purpose.
- 4.3.4. The announcement of the public rights for 2024/25 was dated with the inspection of the accounts available between 3rd June 2025 to 14th July 2025 and was placed on the Council's website.

4.4. Income collection and Banking arrangements

- 4.4.1. All Income received is banked through a paying in book by the Clerk or is direct to bank and recorded in the accounting Software (Rialtus) and shown in the minutes each month.
- 4.4.2. I examined the Cash Book 1 (receipts) report from Rialtus and the bank statements to all the relevant income records, i.e. allotments, cottage rent, Cemetery records and found that all income had been properly recorded and banked.
- 4.4.3. Fees and charges were reviewed as part of the budget setting process on 10th November 2025.

- 4.4.4. There are 2 bank accounts held by the Council:

Business Savings account:

This account is used to hold monies belonging to the Parish Council to obtain a high interest rate, and also to transfer amounts to and from the current account.

Community Current account

Used for paying all expenditure and paying in income and is topped up from the above account.

- 4.4.5 Bank statements are viewed by the Chair at every monthly meeting, and I confirmed the reconciliation of the bank statements at the end of the year to the Income and Expenditure records.
- 4.4.6. Vat repayment ending March 2025 was paid into the bank account on 4th April 2025. The Vat payment for 2025/26 is to be claimed soon.

Accounting Records

- 4.5.1. The Council uses the Rialtus accounting software and all financial information is recorded in this which gives adequate reports to Members, with the Clerk carrying out monthly bank reconciliations, with the bank balances reported to Members with bank statements being seen by the Chair.

4.6. Security/Assets

- 4.6.1. There is an Inventory held of all assets, which is agreed with the statement of accounts each year.

4.7. Debtors

- 4.7.1. There are no accounts raised for debts as Debtors can pay by cash, cheque or direct to bank.

4.8. Budgetary Control

- 4.8.1. The Precept and budget preparation and the Capital Expenditure for the coming year were initially discussed at the 10th November 2025 and at the 8th of December 2025 Council meetings where they were agreed.
- 4.8.2. The annual budget was prepared to support the precept.
- 4.8.3. Budgetary control is carried out by reviewing the receipts and payments and bank reconciliations each month, with a budget review carried was carried out at the 14th July and 13th October 2025 Council meetings.

5. Conclusions/Recommendations

- 5.1. The Internal Controls within the Parish Council are satisfactory for the size of the Council, with no recommendations made.



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

Internal Auditor,

Date: 8th April 2026