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14 April 2024

Mr Joe Hughes
Town Clerk
Blyth Town Council
Town Hall
Arms Everytne House
Blyth
Northumberland
NE24 2AS

Dear Joe,

Internal Audit Report to the members of Blyth Town Council.

I have now completed the full internal audit work of the Town Council's accounts, governance and financial procedures for the 2023/24 financial year.

The audit has been conducted in accordance with the Audit Commission Act 1998, the Local Audit and Accountability Act 2014, and the Accounts and Audit Regulations 2015. My work was also guided by and in accordance with the recent Practitioners' Guide, issued by the Joint Panel on Accountability and Governance (March 2024) and jointly published by the National Association of Local Councils and Society of Local Council Clerks.

The audit included examination of evidence relevant to the amounts and disclosures in the summary accounts and notes, sufficient to give reasonable assurance that the accounts and notes are free from any material misstatement. All points raised during both the interim and year-end audit were answered to my full satisfaction.

Please find enclosed my assessment of the system of internal control and my audit checklist giving details of the work conducted. Based on the work undertaken, I am satisfied that the Town Council's robust systems of financial and administrative management operate effectively and efficiently and provide a sound audit trail.

In my opinion, the summary accounts present fairly the Income and Expenditure of Blyth Town Council for the financial year ended 31 March 2024.

I certify that I have now finalised the year end work for 2023/24 and have, as required, completed the Annual Internal Audit Report required as part of the Annual Governance and Accountability Return (AGAR) for 2023/24.

It is recommended to the Town Council that, as best practice and for the avoidance of doubt or any confusion to local electors, you should look to publish the Annual Internal Audit Report (Page 3 of the AGAR) on the Town Council's website alongside Sections 1, 2 & 3 of the AGAR 2023/24 in accordance with the publication requirements.

In concluding my work for 2023/24, my personal thanks to you, Malcolm and your staff for your hospitality, courtesy and patience in answering my many questions regarding both the systems, plans and projects of the Town Council.

As requested, I have enclosed my invoice for the full year-end internal audit work undertaken in respect of 2023/24. I confirm also that I am happy to continue to provide an internal audit service to the Town Council for the financial year 2024/25, should you wish to retain and appoint me in that role.

If there are any matters you wish to discuss or clarify, please do not hesitate to contact me.

Kind regards,

M. Slaughter

Mike Slaughter
Internal Auditor

SYSTEM OF INTERNAL CONTROL 2023/24

By appointment, I provided an internal audit service for Blyth Town Council for the financial year ending 31 March 2024 and acting independently, I examined the system of internal control by undertaking the following tests and reporting my findings to the Council.

| | TEST | UNDERTAKEN |
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| 1 | Checking that books of account have been properly kept throughout the year to date. | Yes |
| 2 | Checking a representative sample of payments (75% of all transactions 1 April 2023– 31 March 2024) to ensure that the Council's financial regulations have been met, invoices support payments, expenditure is approved and VAT is correctly accounted for | Yes |
| 3 | Reviewing the Council's risk assessment records and ensuring that adequate arrangements and insurance cover are in place to manage all identified risks. | Yes |
| 4 | Verifying that the annual precept request is the result of a proper budgetary process; that the budget process has been regularly monitored and that the Council's overall reserves are adequate. | Yes |
| 5 | Checking a sample of income records (75%) to ensure that correct prices have been charged, income received, recorded and promptly banked and VAT is properly accounted for. | Yes |
| 6 | Reviewing petty cash records to ensure receipts support payments, expenditure is approved and VAT is correctly accounted for. | Yes |
| 7 | Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied. | Yes |
| 8 | Checking the accuracy of the assets and investment records | Yes |
| 9 | Evaluating the accuracy and timeliness of periodic bank account reconciliations. | Yes |
| 10 | Year-end testing on the completeness and accuracy of the financial statements | Yes |

Based on my examination of the Council's records for the financial year 2023/24, which is limited to the tests indicated above, it is my view that the Town Council have a system of internal controls in place that are adequate and effective for the purpose intended. Where considered appropriate, I have made recommendations to the Town Council for both reference and action.

M. Slaughter

Mike Slaughter
Internal Auditor

Date: 14 April 2024

**BLYTH TOWN COUNCIL
FINANCIAL YEAR 2023/24
INTERNAL AUDIT CONTROLS AND TESTS**

| INTERNAL CONTROL | AUDIT TESTS | OUTCOMES YES/NO |
|---|---|--|
| <p>Accounting Records</p> <p>A. Appropriate accounting records have been properly kept throughout the year.</p> <p>Periodic bank account reconciliations were properly carried out during the year.</p> | <ul style="list-style-type: none"> ● Ensure the correct roll forward of the prior year cashbook balances to the new financial year ● Check a sample of financial transactions in cashbooks to bank statements ● Ensure that bank reconciliations are prepared routinely, are subject to independent scrutiny and sign-off by members ● Verify the accuracy of the year-end bank reconciliation detail and ensured accurate disclosure of the combined cash and bank balances in the AGAR, section 2, line 8. ● Where the authority has bank balances more than £100,000 it has an appropriate investment strategy. | <p style="text-align: center;">Yes</p> |
| <p>Standing Orders & Financial Regulations</p> <p>Payment Controls</p> <p>B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.</p> | <ul style="list-style-type: none"> ● 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. ● Ensure that consistent values are in place for the acquisition of formal tenders between SOs and FRs ● Review the procedures for receipt of invoices, agreement of invoice detail | <p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> |

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| | <p>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.</p> <ul style="list-style-type: none"> • Check that there is effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments • 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 • 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 | <p>Yes</p> <p>Yes</p> <p>Yes</p> |
| <p>Risk Management Arrangements</p> <p>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p> | <ul style="list-style-type: none"> • Ensure that authority has prepared, and formally adopted, at least once annually, an appropriate and comprehensive register of assessed risks, both regular and ad hoc • Ensure that appropriate levels of insurance cover are in place for land, buildings, public, employers' and hirers' liability, fidelity / employees (including councillors) liability, business interruption and cyber security • Ensure that appropriate arrangements are in place for monitoring play areas, open spaces and sports | <p>Yes</p> <p>Yes</p> <p>Yes</p> |

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| | <p>itches: 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</p> <ul style="list-style-type: none"> ● Review the effectiveness of internal control carried out by the authority | Yes |
| <p>Budgetary Control and Review</p> <p>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</p> | <ul style="list-style-type: none"> ● 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 ● Ensure that current year budget reports are prepared and submitted to Authority / Committees periodically during the year with appropriate commentary on any significant variances ● Review the budget performance either during the year or at the financial year-end seeking explanations for any significant or unanticipated variances ● Ensure that the Authority has considered the establishment of specific earmarked reserves and, ideally, reviews them annually as part of the budget assessment process ● 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 | <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> |

| Income Controls | | |
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| <p>E. Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.</p> | <ul style="list-style-type: none"> ● Review "Aged debtor" listings to ensure appropriate follow up action is in place | Yes |
| | <ul style="list-style-type: none"> ● Allotments: ensure that appropriate signed tenancy agreements exist, that an appropriate register of tenants is maintained identifying, that debtors are monitored. | Yes |
| | <ul style="list-style-type: none"> ● 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: | Not Applicable |
| | <ul style="list-style-type: none"> ● 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 | Not Applicable |
| | <ul style="list-style-type: none"> ● 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 | Yes |
| | <ul style="list-style-type: none"> ● 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 | Yes |
| | <ul style="list-style-type: none"> ● 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 received / banked | Yes |

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| <p>Petty Cash Procedures</p> <p>F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for</p> | <ul style="list-style-type: none"> ● Review the systems in place for controlling any petty cash and also cash floats (used for bar, catering, etc) ● Check a sample of transactions during the financial year to ensure appropriate supporting documentation is held ● Review the existence of evidenced periodic independent verification of the petty cash and any other cash floats held ● Ensure that VAT is identified wherever incurred and appropriate ● Physically check the petty cash and other cash floats held ● 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 | <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Not Applicable</p> |
| <p>Payroll Controls</p> <p>G. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.</p> | <ul style="list-style-type: none"> ● Ensure that, for all staff, a formal employment contract is in place together with a confirmatory letter setting out any changes to the contract ● Ensure that appropriate procedures are in place for the payment of members allowances and deduction of any tax liability ● 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 with the contracted hours | <p>Yes</p> <p>Yes</p> <p>Yes</p> |

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| | <ul style="list-style-type: none"> ● Ensure that appropriate tax codes are being applied to each employee ● Where free or paid for software is used, ensure that it is up to date. ● For the test sample of employees, ensure that tax is calculated appropriately ● Check the correct treatment of Pension contributions ● For NI, ensure that the correct deduction and employer's contributions are applied ● Ensure that the correct employers' pension percentage contribution is being applied ● 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. | <p style="text-align: center;">Yes</p> <p style="text-align: center;">Not Applicable</p> <p style="text-align: center;">Yes*</p> <p>*Northumberland County Council acts as a payroll agent for the Town Council, providing third party security and additional internal control</p> |
| <p>Assets & Investment Controls</p> <p>H. Asset and investment registers were complete and accurate and properly maintained. This section/assurance should be extended to include loans to or by the authority</p> | <ul style="list-style-type: none"> ● 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 register should identify for each asset the purchase cost ● Additions and disposals records allow tracking from the prior year to the current ● The asset value to be reported in the AGAR at section 2, line 9 equates to the prior year reported | <p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p> |

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| | <p>value, adjusted for the nominal value of any new acquisitions and / or disposals</p> <ul style="list-style-type: none"> • 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: • 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. • Ensure that the authority has sought and obtained appropriate DMO approval for all loans acquired • Ensured that the authority has accounted for the loan appropriately and recorded the full value of the loan. • Ensure that the combined principal loan repayment and interest for the year is correctly recorded in 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 • Where the Authority has issued loans to local bodies, they should ideally seek signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt. | <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Not Applicable (N/A)</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> |
| <p>Accounting Statements & Year-End Procedures</p> <p>J. Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cashbook, supported by an adequate</p> | <ul style="list-style-type: none"> • Ensure that, where annual turnover exceeds £200,000, appropriate records are maintained throughout the year on an Income and Expenditure basis to | <p>Yes</p> |

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| <p>audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.</p> | <p>facilitate budget reporting in that vein</p> <ul style="list-style-type: none"> • Ensure that appropriate accounting arrangements are in place to account for debtors and creditors during the year and at the financial year-end | <p>Yes</p> |
| <p>Limited Assurance Review Exemption</p> <p>K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.</p> | <ul style="list-style-type: none"> • 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 | <p>Not Applicable</p> <p>Not Applicable</p> |
| <p>Website Requirements</p> <p>L. The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with the relevant legislation.</p> | <p>Review the Authority's website ensuring that all required documentation is published in accordance with the relevant legislation.</p> | <p>Yes</p> |
| <p>Exercise of Public Rights</p> <p>M. The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.</p> | <p>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.</p> | <p>Yes</p> |

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| <p>Publication Requirements</p> <p>N. The authority complied with the publication requirements for the prior year AGAR.</p> | <p>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.</p> | <p>Yes</p> |
| <p>Trust Funds</p> <p>O. Trust funds (including charitable) - the Council met its responsibilities as a trustee</p> | <ul style="list-style-type: none"> • 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 | <p>Not Applicable (N/A)</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> |

M. Slaughter
Mike Slaughter
Internal Auditor
14 April 2024