

Internal Audit Report for Southwold Town Council

for the year ending 31st March 2021

Clerk	Lesley Beevor
RFO (if different)	
Chairperson	Ian Bradbury
Precept	£120,000
Income	£1,373,922
Expenditure	£657,636
General reserves	£131,611
Earmarked reserves	£2,310,370
Audit type	Annual
Auditor name	Vicky Waples

Introduction

The primary objective of internal audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council. To achieve this SALC adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with reference to:

- the effectiveness of operations

- the economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- the safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- the integrity and reliability of information, accounts and data

Methodology

When conducting the audit, the internal auditor may:

- carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2020/21 of the Annual Governance and Accountability Return (AGAR)
- review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council complies
- review the operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned

Section 1 – proper bookkeeping	
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.	
Evidence	<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes The council uses the Omega accounting package which produces reports on an Income and Expenditure basis. Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance. The cashbook is kept up to date and regularly verified against bank statements.
<i>Is the cash book up to date and regularly verified?</i>	Yes The cashbook remains the focus for day-to-day accounting and the RFO is aware that the balancing off and reconciliation to the bank statement remains the most important control over the accounting system. The cashbook is reconciled on a monthly basis and contains entries from day to day of all sums of money received and expended by the council along with matters to which the income and expenditure relates.
<i>Is the arithmetic correct?</i>	Yes 10% spot checks were made and were found to be correct. Journal entries between cost codes for the period under review were seen and verified.
Additional comment: <i>Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance. For further transparency and scrutiny, the RFO, in accordance with best practice, has referenced all payments and receipts with a description as to the expenditure and income being incurred to ensure the integrity of data being input and processed.</i>	

Section 2 – Financial Regulation and Standing Orders	
The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC’S latest model which include legislative changes.	

Evidence		Internal auditor commentary
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	The Council reviewed its Standing Orders at its meeting of 9 th June 2021, a copy of which can be found on the Council's website and which are based on the Model Standing Orders produced by NALC in 2018 which take into account changes in legislation since those produced in 2013. These were further reviewed on 24 th November 2020 to take account of the new statutory thresholds for contracts regulated by the Public Contracts Regulation 2015.
Are Financial Regulations up to date and reviewed annually?	Yes	Financial Regulations (FR), were reviewed by the Town Council on 9 th June 2020, a copy of which can be found on the Council's website and which are based on the Model Standing Orders produced by NALC in 2019. Further amendments were approved at the meeting of 24 th November 2020 with regards to statutory thresholds and amendments to the limits for seeking to obtain three quotations or estimates within certain limits for procurement purposes. <i>Comment: Council has shown good practice by ensuring that it has in place appropriate measures governing how it operates, provisions for securing competition and regulating the manner in which tenders are invited. In accordance with proper practices, Council has ensured that its Financial Regulations are regularly reviewed, fit for purpose and that Council agrees to adhere to them as written.</i>
Has the Council properly tailored the Financial Regulations?	Yes	The Council's current Financial Regulations have been tailored to the Town Council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	Council, at its meeting of 9 th June 2020, reconfirmed the appointment of the Town Clerk as the Responsible Financial Officer in accordance with Section 151 of the Local Government Act 1972(d) (financial administration), to be responsible for the administration of the financial affairs of the relevant authority.
Sealing of Legal and Civic Documents	Yes	In accordance with Council's own Standing Orders, Council, at its meeting of 9 th June 2020, authorised the Clerk to seal legal and civic documents using the Council's common seal for sealing a deed required by law.
Review of Town Council Strategy Plan	Yes	The Council maintains a rolling 3-Year Business Plan (2019-2022) which details the Council's overall vision and objectives, strategic planning/key

¹ Section 151 Local Government Act 1972 (d)

	<p>projects, communication/engagement, a listing of specific actions with measurable outcomes and areas of active involvement. Assessment of the projects identified is regularly reviewed in terms of suitability, feasibility, acceptability and risk. Council has in place a timetable to monitor progress against all of the agreed objectives outlined in the Plan in November 2019. During the year Council has progressed a number of projects identified within the Town Council priorities. In October 2020, the Council launched its Town App as part of its commitment to enhance the local economy and create and implement an improved comms strategy within and outside the Town whilst in December 2020, the Town Council commissioned David Lock Associates to undertake a review of the business case for the Southwold Enterprise Hub at Station Yard, to ensure its viability and adaptations that might be needed to adapt the Hub to resultant changes in working practices in light of the impact of Covid-19. The Business Case Review was formally received by the Town Council at its meeting of 22nd March 2021, at which a number of strategic recommendations and budget costs were approved to progress the project.</p> <p>In accordance with the Council’s priorities 2019-2022 to encourage full time residency within the Town and to preserve and enhance the natural and built environment, the Southwold Neighbourhood Plan was progressed through Regulation 14 during the year under review. At the meeting of 31st March 2021, confirmation was given that the Southwold Neighbourhood Plan had submitted Under Regulation 15, the neighbourhood development plan to East Suffolk District Council who will progress the Regulation 16 consultation with reference to the “Basic Conditions” that the Neighbourhood Plan needs to meet.</p>
<p>Additional comments:</p> <p>.</p>	

Section 3 – Payment controls
 The internal auditor will specifically check bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. The internal auditor will examine how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made differs from

<p>the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. The internal auditor will check if the Council has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.</p>		
Evidence		<i>Internal auditor commentary</i>
<p>Is there supporting paperwork for payments with appropriate authorisation?</p>	<p>Yes</p>	<p>At each Full Council meeting, in accordance with Council's Financial Regulations for the approval of payments, a list of all such payments awaiting approval is presented to the meeting with formal approval of such expenditure being shown in the minutes and evidence of such paperwork, including details of those authorizing the release of payment, is retained within the files submitted for internal audit.</p> <p>Spot checks on payments over £2,500 were cross checked against cashbook, payment authorization documentation, minutes and bank statements and found to be in order and correctly approved in accordance with Council's own Financial Regulations.</p> <p><i>Comment: Council has continued to ensure that it is mindful of FR 5.6 which states that provided that the requirements of regulation 4.1 (Budgetary Controls) are adhered to, a list of payments pre-authorized shall be submitted to the next appropriate meeting of council. Such 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 may authorise payment for the year provided that the requirements of regulation 4.1 are adhered to should be submitted at each Annual Meeting.</i></p>
<p>Where applicable, were procurement controls identified and followed in the awarding of new contracts</p>	<p>Yes</p>	<p>During the year under review tenders were submitted for the Southwold Enterprise Hub Project Management for a project management role to oversee the project management for the delivery of the regeneration project for the town. The project was part of the Southwold Coastal Community Team Economic Plan with the Council having successfully secured grants to enable the Council to deliver its planned outcomes. The contract was awarded to Richard Utting Associates on 17th September</p>

		<p>2020. At the same meeting, the appointment of the Project Manager for the project was approved.</p> <p><i>Council was mindful of its own Financial Regulations (11e-j) which prescribe the manner in which the Council shall submit invitations to tender; the awarding of contracts to fulfil the works specified within the submitted tender and the management of the contract awarded. Council has recognised that the official order issued commits a supplier to an agreed price within the framework of an agreed remit of works to be carried out.</i></p>
Where applicable, are internet banking transactions properly recorded and approved?	Yes	<p>Internet banking is operated in accordance with the Council's own Financial Regulations. The RFO has ensured that the Council has implemented the procedure whereby invoices due for payment are submitted at each full Council Meeting which are verified and authorised for release.</p>
Is VAT correctly identified, recorded and claimed within time limits?	Yes	<p>VAT is clearly identified in the ledger book and claimed in accordance with the guidelines for local authorities and similar bodies. The year-end position of £5,343.61 is verified in the cashbook and was claimed after the year had been closed.</p>
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	Yes	<p>At the meeting of 9th June 2020, full Council confirmed that, having met the criteria to adopt the General Power of Competence, as set out under the General Power of Competence (Prescribed under Conditions) Order 2012, it would resolve that it be renewed and so adopted.</p> <p>Council operates a community grants programme which is aimed at providing financial support to organisations undertaking activities for the benefit of the residents of Southwold.</p> <p><i>Comment: the Council operates the grants or donations within the remit of its eligibility Criteria and Funding Priorities as outlined on its website. A full list of the grants approved for the year under review was seen on the Council's website.</i></p>

² Localism Act

Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	<i>Not applicable</i>	The Council is able to use the General Power of Competence to incur expenditure that in its opinion is in the interests of and will bring benefit to its area and any of it or all of some of its inhabitants.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	Yes	The council has the one Public Works Board Loan: PW506406 with fixed repayment dates of 21st September 2020 and 19 th March 2021 with the interest rate of 1.77% applied. Balance outstanding as at 31 st March 2021 was £195,000.

Additional comments:

Council has recognised the recommendation from NALC in relation to dual authorization for internet payments and ensured that there are controls on expenditure as an integrated part of its overall financial control system and evidence retained showing which authorised members approved the release of the payment.

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	Overall, the risk assessment documentation submitted for Internal Audit provides details of the risks associated with the functioning of a smaller authority and the measures that the Council will undertake to mitigate such risks. The Risk Management Policy for the year under review was adopted by full Council at its meeting of 9 th June 2020 with the Council’s Risk Management Policy reviewed and adopted at a meeting of full Council of 30 th March 2021.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	Council is aware that its risk assessment needs to focus on the safety of the parish council’s assets and in particular its money. Council has ensured that there is evidence that it has taken actions to identify and assess those risks and has considered what actions or decisions it needs to take during the year

³ Section 137 of the Local Government Act 1972 (“the 1972 Act”) enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The basic power is for a local council to spend money (subject to the statutory limit – of £8.12 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

		<p>to manage in order to avoid financial or reputational consequences. The review for the year 2020-2021 has been expanded to document the specific control procedures for contamination on site; recommendations under the disability audit for the Town Hall; financing of the project to redevelop Station Road; payments made by direct bank transfer and COVID-19 risk assessments for the workplace.</p>
<p><i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee and has been reviewed on an annual basis?</i></p>	<p>Yes</p>	<p>In accordance with Proper Practices, Council has identified its key risks and taken steps to manage them in a way which it can justify to a level which is tolerable by transferring the risk and buying in services from specialist external bodies and taking out insurance.</p> <p>The Council's Insurance document showing cover under a Council Guard Policy with Royal & Sun Alliance was seen. At renewal, Council is in a long-term agreement which expires 24th December 2022.</p> <p>The following were verified: Core Cover Public / Products liability cover £15million; Employer's liability cover £10million; Money £2thousand; Legal Expenses £100thousand/£100million; Business Interruption £810thousand(Gross rentals) with extensions & £41thousand (Income) with extensions; Legal Defence £250thousand. Fidelity Guarantee cover is £2million.</p> <p>Property Damage cover in in place for 35 premises / land as specified on the documents seen. Business all risk cover is provided within the boundaries of Southwold under generic headings: Street furniture; playground equipment and surfaces; war memorials; finger posts; CCTV equipment; Town Signs; Town Shelter and Red phone box for defibrillator.</p> <p>Fidelity Guarantee cover at £2million is below the limit identified in accordance with guidance, which provides that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants to be received in the following April/May. Council might wish to ensure balances and cash flow are monitored on a regular basis to ensure that cover is appropriate as balances are managed over the course of the financial year.</p>

		<i>Comment: Council has ensured that by reviewing its annual insurance, it has recognised that it is the responsibility of the whole Council to satisfy itself that insurances are adequate and that having identified, assessed and recorded the risks, appropriate measures, such as the appropriate use of insurance cover, have been taken to mitigate and manage the risk.</i>
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	In accordance with the Accounts and Audit Regulations 2015, Council formally reviewed the effectiveness of its system of internal control to ensure that it has mitigation measures in place to address the risks associated with the management of public finances at its meeting of 9 th June 2021. During the year, in accordance with their terms of reference, the Finance and Governance Committee carried out regular reviews of the Council’s internal controls as defined within its Internal Control Policy and ensured that there were sufficient safeguards in place to protect and manage public finances in accordance with Proper Practices.
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i>	Yes	In accordance with Proper Practices, full Council at its meeting of 9 th June reviewed the effectiveness of internal audit and that the Internal Audit Service as proposed by Suffolk Association of Local Council was effective. <i>Comment: by reviewing the terms of reference and effectiveness for internal audit the council has followed guidance and demonstrated that it recognised that the function of internal audit is to test and report to the authority on whether its system of internal control is adequate.</i>
<p>Additional comments: <i>Comment: Council has understood the requirement to have in place safe and efficient arrangements to safeguard public money. As part of its review of governance and internal control measures, Council has adopted an Internal Control Statement which covers the purpose of the system of internal control; the personnel involved with the internal control regime, internal and external audit remit, review of effectiveness of internal control along with an action plan to address issues raised within the internal control process. Council has also been mindful to ensure that all payments are carried out with reference to its own Financial Regulations 6, and that reference to online banking for the use of the settlement of accounts is included within the Council’s overall Risk Assessment Documentation.</i></p> <p>Recommendation: whilst it is noted that Council has expanded its risk register to ensure that it has a clear procedure for the manner in which it operates with regards to the operation of its online accounts, it should also take the opportunity of ensuring its Internal Control</p>		

⁴ Accounts and Audit Regulations

⁵ Governance and Accountability Guide

Statement covers the role of those involved with such procedures and the implications for the way in which the Parish Council operates with regards to the authorization of payments.

Section 5 – Budgetary controls		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	<p>Council at its meeting of 28th January 2020, approved the Revenue Budget for 2020/21 of £189,450 (to be funded from Precept and Reserves) and the Capital Budget of £214,000 to be funded from Capital Income of £234,000. It was noted that the budget was a live document and would be reviewed and updated on a regular basis.</p> <p>In light of the financial implications of Covid-19, Council, at its meeting of 26th May 2020, approved a revised budget following a review of potential decrease in revenue streams. The minutes reflect that the Finance and Governance Committee carried out regular reviews of the budget to ensure that a robust balance was able to be maintained at all times.</p> <p><i>Council is aware that the preparation of an annual budget is one of the key statutory tasks to be undertaken by an authority and for clarity and transparency has ensured that the level of budget is clearly evidenced in the Council's minutes.</i></p>
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	<p>The precept in the sum of £120,000 was set at the same meeting with the minutes recording that the Precept to be charged represented a nil reduction on an individual Band D council tax bill. The minutes record that the revenue funding gap would be filled from reserves.</p>
<i>Regular reporting of expenditure and variances from budget</i>	Yes	<p>Council continues with its existing practice of ensuring that management accounts on a cumulative basis are presented and considered at each Finance and Governance Committee Meeting. Detailed budget reports to actual with committed expenditure and funds available breakdown were reviewed during</p>

		<p>the internal audit which allows the comparison of income and expenditure across specific budget headings.</p> <p>Virements between budgets are approved in accordance with Council's own Financial Regulations and Council is aware that a virement from reserves into the revenue budget may only be made following a resolution of the Council, or duly delegated committee.</p>
<i>Reserves held – general and earmarked⁶</i>	Yes	<p>The Council, as at 31st March 2021, had overall reserves totalling £2,441,981 with agreed Earmarked Reserves of £2,310,370 and General Reserves at £131,611. During the year under review, Council progressed the sale of one of the Strickland Place properties with confirmation given at the meeting of 22nd March 2021 that the funds raised from the sale of 2 of the Strickland Place Properties were earmarked for the Southwold Enterprise Hub.</p> <p><i>Council is aware of the guidance as issued by Proper Practices which states that it is regarded as acceptable for a council's general (non-earmarked revenue) reserves to be equal to 3 to 12 months of Net Revenue Expenditure and should ensure that the level of general reserves adopted is in accordance with its General Reserve Policy. There is no upper limit for Earmarked Reserves, but they should be held for genuine and intended purposes and their level subject to regular review and justification (at least annually).</i></p>
<p>Additional comments: <i>Budget: Council shows good practice by continuing to follow the recommended key stages as to the budgetary process to be followed for the year, and ensures that there is clarity on the budget being set and that reporting schedules for the monitoring of the budget are adhered to.</i> <i>The recommended key stages are as follows:</i></p> <ul style="list-style-type: none"> • <i>decide the form and level of detail of the budget;</i> • <i>review the current year budget and spending;</i> • <i>determine the cost of spending plans;</i> • <i>assess levels of income;</i> • <i>bring together spending and income plans;</i> • <i>provide for contingencies and consider the need for reserves;</i> • <i>approve the budget;</i> 		

⁶ In accordance with proper practices, the generally accepted minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months of Net Revenue Expenditure

- confirm the precept or rates and special levies; and
- review progress against the budget regularly throughout the year.

Council has noted guidance as issued under the Practitioners Guide which states that an authority needs to have regards to the need to put in place a General Reserve Policy with explanations as to the high level of general reserves being held and to have evidenced that it has reviewed the level and purpose of all Earmarked Reserves. Council's adopted Reserves Policy (Adopted 9th June 2020) was seen on the Council's website.

Section 6 – income controls

The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this.

Evidence		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	Yes	Income is recorded in accordance with Council's Financial Regulations. A number of items of income were cross checked against cash book and bank statement and found to be in order and recorded in accordance with Proper Practices. Council's accounting records contain all day-to-day entries of all sums of money received. Grants received were verified against offer letters submitted. Spot checks on further items paid during the year under BACS / Direct Credit into the Council's Accounts were cross checked against cashbook, bank statements and invoices raised by the Council. All were found to be in order with a clear underlying audit trail. Income is recorded in accordance with Financial Regulations and reported within the Income and Expenditure Reports received by the Finance and Governance Committee.
<i>Is income reported to full council?</i>	Yes	Income received is reported within the detailed financial reports summarizing the Council's receipts and payments as submitted to the Finance and Governance Committee.

		<p>The outstanding sales ledger invoices for the period ending 31st March 2021 was seen and verified. The RFO has advised that there are no irrecoverable accounts for consideration as bad debts.</p> <p><i>Comment: Council is aware that Proper Guidance states that uncollectible amounts, including bad debts, should only be written off with the approval of members, or under delegated authority by the RFO and that such approval should be shown in the accounting records.</i></p>
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The council received precept of £120,000 the year under review in April and September 2020. Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 28 th January 2020, served on the Charging Authority to receipt of same in the Council's Bank Account.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	<p>For the year under review Council receive CIL Receipts in the sum of £8,992.89 In accordance with the 2010 Regulations, the Council having a retained balance of CIL funds has ensured that retained balances are transferred into an Earmarked Reserve specifically allocated.</p> <p>A copy of the workings for the annual report for the year ending 31st March 2021 showing retained balance of £36,826.89 was enclosed with the files submitted for Internal Audit. Council has formally approved the Annual CIL Statement and the signed report was submitted within the files submitted for internal audit. A copy of the report for the year 20/21 has still to be uploaded onto the Council's website.</p>
<i>Is CIL income reported to the council?</i>	Yes	
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	
<i>Has an annual report been produced?</i>	Yes	
<i>Has it been published on the authority's website?</i>	Partly met	
<p>Additional comments: <i>CIL Reporting: Council has ensured that it complies with its duty to produce an annual CIL report for each financial year and is aware that such a report should be uploaded onto its website by 31st December of that year.</i></p>		

<p>Section 7 – petty cash The Internal Auditor will seek evidence that the Council has followed its own policies, procedures and verification processes and that these are up to date.</p>	

⁷ Community Infrastructure Levy Regulations 2010

Evidence		Internal auditor commentary
<i>Is petty cash in operation?</i>	<i>Not applicable</i>	A petty cash system is not operated by the Council
<i>If appropriate, is there an adequate control system in place?</i>	<i>Not applicable</i>	
Additional comments:		

Section 8 – Payroll controls		
<p>The Internal Auditor will check salaries are approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 1st April 2011, evidence will be required to show compliance with the new requirements for the statement of employment, Induction, probation periods and training requirements. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.</p>		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	Yes	Council had 3 employees on its payroll at the period end of 31 st March 2021. All staff have employment contracts which include provisions for annual reviews. Salary payments are authorised by full council.
<i>Has the Council approved salary paid?</i>	Yes	
<i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i>	Yes	There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the council has complied with its duties under legislation.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	The payroll function is carried out inhouse and is operated in accordance with HM Revenue and Customs guidelines. Cross-checks were completed on three payments covering salary and PAYE were found to be in order. Deductions paid to HM Revenue and Customs during the year under review were made in accordance with timescales as set out in the regulations.

<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	Council is aware of its pension responsibilities with two members of staff being members of the Suffolk County Council Local Government Pensions Scheme.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	Council is aware of the changes in the Practitioners Guide for 2020 on the treatment of what can be included as employment expenses within the Annual Governance and Accountability Guide 2020 - section 2.16 refers and submitted within Box 4 of the AGAR. All expenses / payments made are against itemised invoices are approved accordance with Council's Financial Regulations.
<p>Additional comments: <i>There are robust payroll arrangements in place with ensures the accuracy and legitimacy of payments of salaries and associated liabilities and as such the Council has complied with its duties under employment legislation and has met its pension obligations.</i></p>		

<p>Section 9 – Asset control The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.</p>		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	Yes	The Asset Register details assets held by the Council which have been defined as Fixed Assets and the itemised list forms the basis of Box 9 of the Annual Governance and Accountability Guide. The Asset Register was reviewed during the Internal Audit Visit and a spot check of assets against
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	Yes	

⁸ The Pension Regulator – [website click here](#)

⁹ Governance and Accountability for Smaller Authorities in England – March 2019

<p><i>Are records of deeds, articles, land registry title number available?</i></p>	<p>Yes</p>	<p>insurance valuations was undertaken and found to be in order. The Asset Register at year-end shows assets to the value of £6,469,322.</p> <p>Where assets have been gifted or where there is no known value, assets have been given the proxy value of £1. This value has also been applied to a number of Community Assets, which, in accordance with guidance, are treated in the same manner as gifted assets.</p> <p><i>Comment: this current valuation for assets commonly known as community assets is in line with requirements for smaller authorities to record each asset at its original purchase cost or where the original purchase cost is unknown at the time of first recording on the asset register, a current value is recorded, which acts as a proxy value to the original cost and will remain unchanged until disposal.</i></p> <p>Records of deeds, articles, land registry title number were not reviewed during the internal audit. The minutes of 26th January 2021 record that Council resolved to undertake the land registration of all its properties and land with priority given to the marsh areas, including the area incorporating Ferry Road Garden, potential site of additional camping field, and Salt Creek. Agreement was also forthcoming at the same meeting that the Council would seek to undertake a market valuation of the Council property portfolio.</p>
<p><i>Is the asset register up to date and reviewed annually?</i></p>	<p>Yes</p>	<p>A review of the asset register along with movement will be formally considered by Full Council once it meets to discuss the annual accounts. The asset register shows movement through the register and accurately reflects all capital acquisitions and disposals transactions as recorded in the councils cashbook for the year under review.</p>
<p><i>Cross checking of insurance cover</i></p>	<p>Yes</p>	<p>All risks cover is in place for a number of items within the Council's ownership or responsibility on a banded scale to cover the Council's asset as listed as Infrastructure. Specific cover for specialised items is listed within the insurance document.</p>
<p>Additional comments: <i>Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2020, on the valuation of its assets which required authorities to apply a reasonable approach to asset valuation which is consistent from year to year.</i></p>		

Proper practices states that authorities need to apply a reasonable approach to asset valuation which is consistent from year to year. Where the method asset valuation is changed during the financial year, Council will need to restate the prior year's figure in Line 9 of the Annual Governance and Accountability Guide.

Section 10 – bank reconciliation		
The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
Evidence	Internal auditor commentary	
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	Bank reconciliations are completed on a regular basis, reconcile with the cash sheets and cover all of the Council's accounts. Council has ensured that by reconciling the council's accounts to the bank statement it has limited the exposure to errors, omissions or discrepancies in either the bank accounts or the cash books.
<i>Do bank balances agree with bank statements?</i>	Yes	<p>Bank balances agree with period end statements and, as at year end (31st March 2021), the balance across the councils accounts stood at £2,500,213.65 as recorded on the Year-end Bank Reconciliation. As such the year-end reconciliation provides evidence to support the total cash and short-term investments balance to be shown in Box 8 of the Annual Governance and Accountability Guide.</p> <p>Balances are as follows: Current bank account: £326,798.49 Business account: £1,812,610.28 32 Day Notice account: £60,325.80 Public Sector Deposit Fund: £300,479.07 Instant Online: £0.01</p> <p>At the meeting of 30th June 2020, following a review by the Finance and Governance Committee, full Council approved the Council's Investment Strategy for the year 2021/2022.</p>

<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Balances across the Council's accounts are received and reviewed on a regular basis by the Finance and Governance Committee and within the Financial Reports submitted to full Council. The RFO ensures that the Council is aware that in accordance with proper practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows and therefore aids decision-making.
<p>Additional comments: <i>In accordance with Proper Practises, Council has continued with its system whereby a Councillor carries out a review of the Council's banking internal control by formally signing off the bank reconciliation. This is not only good practice but also is a safeguard for the RFO and fulfils one of the authority's internal control objectives.</i></p> <p><i>Comment: Council follows guidance on its investments as issued by the Secretary of State under section 15(1)(9) of the LGA 2003 (3rd edition) which states that all councils that have investments in excess of £100,000 should have in place an investment strategy.</i></p>		

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Accounts are produced on an income and expenditure basis. All were found to be in order. There is an underlying financial trail from financial records to the accounts produced. Council has continued to ensure that its records detail the assets and liabilities of the Council included the asset and investment register and record of loans and other debts.
<i>Financial trail from records to presented accounts</i>	Yes	Debtors and creditors have been properly recorded. Year-end balances agree with cash book and bank reconciliations: Debtors: £57,139 VAT Account: £5,344 Bank Accounts: £2,500,213 less Creditors: £120,716 Represented by: Total Reserves: £2,441,981

<p><i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i></p>	<p>Yes</p>	<p>As Council is a smaller authority with gross income and expenditure exceeding £25,000 it will be required to complete Part 3 of the AGAR. and Section 2 - Accounting Statements of the AGAR was completed but unsigned at the time of Internal Audit.</p> <p><i>Comment: Council is aware that under intermediate level review procedures the following additional information is required for the year 2020-2021:</i></p> <ul style="list-style-type: none"> • <i>Basic level review information</i> • <i>Evidence that the authority is registered with HMRC (Practitioners Guide para. 5.48 to 5.54 provides guidance related to Employment Issues)</i> • <i>If the 19/20 external auditor report included any “except” for matters, copies of the minutes and any agreed plan showing the corrective action taken to address these matters.</i>
<p><i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i></p>	<p>Not applicable</p>	<p>As the Parish Council had gross income and expenditure exceeding £25,000 it was not able to declare itself exempt from a limited assurance review.</p>
<p><i>During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?</i></p>	<p>Yes</p>	<p>The internal auditor was able to find the arrangements for the exercise of public rights for the period under review and can confirm that the dates set for the year ending 31st March 2020 were from 29th July 2020 until 9th September 2020.</p>
<p><i>Have the publication requirements been met in accordance with the Regulations?¹¹</i></p>	<p>Yes</p>	<p>The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31 March 2020 and published the following on a public website: Section 1 – Annual Governance Statement of the AGAR Section 2 – Annual Accounting Statements of the AGAR Section 3 – External Audit Report and Certificate. Notice of the period for the exercise of public rights</p>
<p>Additional comments:</p>		

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

Council has noted that under the Accounts and Audit Regulations 2015, it is recommended that, as best practice, and to avoid any potential confusion by local electors and interested parties, that the Council also publishes the Annual Internal Audit Report, page 3. Council has also published the full internal audit report.

Section 12 – internal audit		
The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the previous internal audit report been considered by the Council?</i>	Yes	The Internal Audit Report was considered by full Council at its meeting of 9 th June 2020.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	As evidenced in the minutes of the above meeting, the internal audit report was received and accepted by full Council with a further resolution to adopt the action plan arising from the internal audit report. The following comments / recommendations were raised in the Annual Internal Audit Report for the year ending 31 st March 2020: Addition to online banking to risk assessment documentation; Establishment of a staff reserve; Annual review of general reserves; Review of Financial Regulation 5.5 with regards to fund transfers and sums to be authorised.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	The appointment of SALC as the Council's internal auditor was confirmed at the meeting of 9 th June 2021.
Additional comments:		

Section 13 – external audit for the period under review	
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be taken into account.	
Evidence	<i>Internal auditor commentary</i>

<i>Has the previous external audit report been considered by the Council?</i> ¹²	Yes	At the Town Council meeting of 24 th November 2020, Council formally accepted and approved the adoption of the Limited Assurance Review as carried out by the External Auditor.
<i>Has appropriate action been taken regarding the comments raised?</i>	Yes	There were no matters raised which required the issuing of a separate report and Council noted the action required for future submissions in relation to the timing of the signatures on the AGAR.
<p>Additional comments: <i>Comment: in accordance with Regulation 20 of the Accounts and Audit Regulations 2015, Council has ensured that, following the completion of an audit, full Council and not a committee considers and receives the audit letter from the local auditor and that this shall be as soon as reasonably practicable.</i></p>		

<p>Section 14 – additional information The internal auditor will look for some additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.</p>		
Evidence		<i>Internal auditor commentary</i>
<p><i>Was the annual meeting held in accordance with legislation?</i>¹³ <i>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)</i>^{f14}</p>	Yes	<p>In accordance with legislation coming forth, Council did not hold held its Annual Meeting of the Council and approved at the meeting of 5th May 2020 that the Chair and Vice-Chair would remain in their roles as per Regulation 4 of the Coronavirus Act 2020.</p> <p><i>Comment: In recognition of this being unprecedented times and following the Government’s guidelines for staying at home and working remotely, the Government included within s.78 in the Coronavirus Act 2020 (made 4th April 2020) the ability for the Secretary of State to have the power to make Regulations to cover the provisions for the holding of meetings. The 2020</i></p>

¹² Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (i.e.. All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

¹³ The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

¹⁴ The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

		<i>Regulations set out those provisions. Council has followed these regulations and held its meetings via a Videoconferencing platform in accordance with the conditions laid out.</i>
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵	Yes	Council is aware that that under LGA 1972 schedule 12, paragraphs 41(1) and 44 the draft minutes of a meeting should be formally approved (with any necessary amendments) at the next meeting and that once approved, the draft minutes or recordings of the meeting for which approved minutes exist can be destroyed.
<i>Is there a list of members' interests held?</i>	Yes	Evidence was seen on the District Council's website of the Register of Interests for all current Town Councillors. <i>Comment: Council should note the requirement that, whilst the monitoring officer of the District Council must arrange for the parish council's register of members' interests to be available for inspection in the district and must be published on the district council's website, where the parish (town) council has its own website, its register of members' interests must also be published on that website. (Openness and transparency on personal interests - A guide for councillors – August 2012).</i>
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	Not applicable	The council has no sole trustee responsibilities.
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	Yes	For Councils with income over £200,000 the provisions contained in Part 2 of the Local Government Transparency Code 2015 in relation to matters that should be published, are mandatory and Council's Officers have ensured that there is overall compliance with these requirements.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁶	Yes	The council is correctly registered with the ICO as a Data Controller in accordance with legislation. Reference: ZA247360 Expires 01/05/2022. At its meeting on 30 th March 2021 the Council received and considered the revised Freedom of Information Act Publication Scheme. The Council reviewed the Scheme as written and confirmed that the proposed changes were in order and should be added to the revised Scheme.

¹⁵ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972 and the Localism Act 2011

¹⁶ Data Protection Act 2018

<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council has taken steps to ensure compliancy and undertook an Annual GDPR Risk Assessment ensuring that all connected to the Town Council are aware of the requirement to comply with GDPR and ensure the protection of an individual's personal data however it may be stored. A range of documents were able to view on the website detailing the framework that the public can expect for the handling of requests from individuals who have the right to know what data is held on them, why the data is being processed and whether it will be given to any third party.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i>	Yes	The Council operated website has an accessibility statement detailing the technical information of the website along with the methods used for testing the website; the steps being taken to improve accessibility and how the site is being improved to ensure that content meets the WCAG 2.1 Standard under Regulation 8 of the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.
<i>Is there evidence that electronic files are backed up?</i>	Yes	Council has in place a system whereby regular back-ups of Council's day to day records to a cloud-based system and external hard-drives takes place on a daily basis. At the meeting of 23 rd February 2021, following a recommendation from the Finance and Governance Committee, it was agreed that I Cloudy be employed to optimise the Council's remote storage ability including accessibility for use by staff and councillors.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	Yes	At the meeting of the Finance and Governance Committee of 1 st May 2020, the Committee noted the scheme of delegation that had been put in place as an emergency measure effective April 2020 covering delegated authority to undertake necessary decisions for the running of the Council; fulfilment of its powers or duties, whether statutory or assumed; support for businesses and community response groups. Following the implementation of the 2020 Regulations, which allowed the holding of remote meetings to enable Council business to be transacted via teleconferencing, at the full Council meeting of 5 th May 2020, Council resolved that the delegated powers and provisions made under the Emergency Scheme of Delegation be removed as they were no longer required.

¹⁷ Website Accessibility Regulations 2018

Additional comments:

Transparency Code 2015 - to ensure full compliance with the requirements of the Local Government Transparency Code 2015 (turnover exceeding £200,000), Council's Officers have ensured that the Council's website is updated regularly with the following information in accordance with the required timescales:

quarterly:

Individual items of expenditure that exceed £500 (currently published on an annual basis);

Government Procurement Card transactions;

Invitations to tender for contracts over £5,000;

Details of contracts that exceed £5,000;

annually:

Details of all land and building assets;

Grants to Voluntary, Community and Social Enterprise Organisations;

Organisational Chart

Summary: acknowledging that the primary role of the internal auditor is to provide independent, objective assurance to Members and management that key risks are being managed effectively, during the year to 31st March 2021, Council maintained effective governance arrangements including a robust framework of internal control and risk management. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and on the information published on the Council's website, has confirmed that the Council maintains an effective framework of financial administration and internal financial control.

The Internal Auditor offers her appreciation to the Town Clerk and her staff for the assistance provided in ensuring that the files were well presented and in order for the internal audit visit.

Signed: *Victoria S Waples*

Date of Internal Audit Visit: 17.05.2021 Date of Internal Audit Report: 19 May 2021

On behalf of Suffolk Association of Local Councils