

Internal Audit Report for Southwold Town Council for the period ending 31 March 2023

Clerk	Lesley Beevor
RFO (if different)	
Chairperson	Councillor J Windell
Precept	£ 118,610
Income	£1,519,453
Expenditure	£1,204,406
General reserves	£ 145,188
Earmarked reserves	£2,210,275
Audit type	Annual
Auditor name	Victoria 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:

- conduct 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 2022/23 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 conducted 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 and is able to produce a suite of documents including reports on an Income and Expenditure basis. <i>Comment: as the Council produces its accounts on an income and expenditure basis, the proprietary accounting software allows it to accurately track transactions that straddle two accounting periods.</i>
<i>Is the cash book up to date and regularly verified?</i>	Yes	Council continues to follow Proper Practices in ensuring that the Council’s 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 and the Responsible Financial Officer (RFO) has used the full suite of accounting and reporting tools associated with the package to produce clear financial management information to the Council on both a monthly and annual basis. <i>Comment: as per Regulation 4 of the Accounts and Audit Regulations 2015, the RFO has put in place effective procedures to accurately record all financial transactions and to maintain up to date accounting records throughout the year. Such records will be used to underly the accounting statements in Section 2 of the Annual Governance and Accountability Guide.</i>
<i>Is the arithmetic correct?</i>	Yes	The cashbook is kept up to date and regularly verified against bank statements. All receipts and expenditure transactions are referenced with a description as to the expenditure and income being incurred to ensure the integrity of data being input and processed. The RFO has ensured that the full range of the financial package has been used for the preparation of the end-of year accounts. <i>Comment: the RFO has ensure that the council’s financial control system are observed and that the accounting records of the authority are kept up to date and allow the council to quantify at any time.</i>

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council conducted 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		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	The Standing Orders, as seen on the Parish Council's website, show an adopted date of 31 st May 2022, and are based on the latest model published by the National Association of Local Councils (2018) with amendments relating to Procurement and Financial Thresholds. As such they are compliant with legislation and have been adapted (where they are not statutory requirements) to ensure that they are relevant to the Parish Council. <i>Comment: Council is aware of the requirement to ensure that the Standing Orders are fully tailored to the council and that in accordance with proper practices they need to be regularly reviewed, fit for purpose and adhered to.</i>
Are Financial Regulations up to date and reviewed annually?	Yes	<i>Financial Regulations (FR), as seen on the Council's website were reviewed at a meeting of 31st May 2022 and have been adopted to provide relevance to the manner in which the Council operates. Those adopted are based on the NALC Model Financial Regulations 2019 with provisions included as outlined under LTN 87 - Procurement – March 2022.</i> <i>Comment: at the next annual review, Council might also wish to review the Procurement Thresholds amendments (SI 2022/139) of the Public Contracts (Amendment) Regulations 2022 which came into force on 21st December 2022 and make the changes to the contract value limits from £25,000 to £30,000 for non-central government authorities. The contract value limits are to be calculated inclusive of VAT (effective from 1st January 2022).</i>
Has the Council properly tailored the Financial Regulations?	Yes	The Council's Financial Regulations have been fully tailored to the Town Council. <i>Comment: following guidance from NALC, Council has ensured that where information is given in [square brackets] at adoption, this part may be deleted if not relevant. In some cases an alternative option may have been provided and is now incorporated within the FRs as written.</i>

Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	<p>In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council confirmed its reappointment of the Clerk to be responsible for the administration of the financial affairs at the meeting of 31st May 2022. FR 1.8 confirms that the post is held in this manner.</p> <p><i>Comment: in accordance with Regulation 4 of the Accounts and Audit Regulations 2015, Council has satisfied itself that its RFO is capable of determining a system of financial controls thereby allowing it to discharge its duties under said Regulation.</i></p>
Sealing of Legal and Civic Documents	Yes	<p>In accordance with Council's own Standing Orders, full Council, at its meeting of 31st May 2022, authorised the Clerk to seal legal and civic documents using the Council's common seal for sealing a deed required by law.</p>

<p>Section 3 – Payment controls</p> <p>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 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>	
Is there supporting paperwork for payments with appropriate authorisation?	Yes	<p>Council continues with the practice as outlined in previous audits of ensuring that 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>

¹ Section 151 Local Government Act 1972 (d)

		<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 be 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>Is there supporting paperwork for tenders being raised with appropriate authorisation?</p>	<p>Yes</p>	<p>The contracts in place for the year 2022-2023 were reviewed and found to be in order. The RFO has ensured that where relevant it has complied with its own Standing Orders and Financial Regulations in terms of procurement and where those regulations require an open invitation and a formal tender process, it has followed them.</p> <p><i>Comment: the council demonstrates good practise by understanding that official orders both commit a supplier to a price and helps prevent unauthorised credit being granted in the authority's name.</i></p> <p>During the year under review, the Council, following a tender process for works to 25 Market Place – Listed Property to incorporate repairs and modernisation and Station Road Redevelopment Construction Contract. In both cases tender was set by invitation and via the Portal (the latter being via East Suffolk Council procurement procedures). The process followed by the Council in reviews of tenders, appointment of contractors was reviewed and followed procedure and regard was taken of the relevant FRs by which the Council was abiding. In both cases, work has commenced, and details of the appointed contractors are available to view. Council is regularly updated via the project register detailing the project being undertaken, resources for that project, budget and programme status.</p>

		<p><i>Comment: Council is aware that once a contract has been awarded contracting authorities are required to publish at least the following information on Contracts Finder. It is recommended that this information is published in the Award Details section:</i></p> <p><i>I. the full company name of the winning contractor;</i></p> <p><i>II. the date on which the contract was entered into;</i></p> <p><i>III. the total value of the contract in pounds sterling.</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 and is used for the settlement of the Council's expenditure. The Internal Control Statement details the procedure to be followed for such payments. As stated in previous internal audit reports, the accounts settled via internet banking can be readily tracked through a comprehensive audit trail and Council has ensured that where such a method of payment is used, each payment is signed or otherwise evidenced by two authorised bank signatories. Such details are retained and reported to the Council as made.</p> <p><i>Comment: Council might wish to note that the approval of BACS or CHAPS should be renewed by resolution of the Council at least every two years (FR 6.9).</i></p>
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	<p>VAT is identified within the Accounting system with the year-end balance at 31st March 2023 standing at £120,193.51 which has been correctly recorded within the Council's balance sheet. The reclaim covering the periods 1st April 2022 to 31st December 2022 was reviewed during the internal audit review and there were no underlying issues arising.</p> <p><i>Comment: Council, following advice from Price Bailey Ltd, has opted to submit monthly reclaims whilst the Station Road Development Contract is in place.</i></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. The full Council meeting of 31st May 2022 reconfirmed that it meets the criteria for eligibility on terms of electoral mandate and relevant qualifications of the Clerk. Council operates a community grants programme which is aimed at providing</p>

² Localism Act

		financial support to organisations undertaking activities for the benefit of the residents of Southwold. <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>
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	Council uses the discretionary power to do anything that an individual can do unless specifically prohibited by law.
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 21 st September 2021 and 19 th March 2023 with the interest rate of 1.77% applied. Balance outstanding as at 31 st March 2023 was £135,000 as evidenced from information received from the United Kingdom Debt Management Office PWLB Lending Facility. Payments were made in accordance with the instalment repayment schedule and residual capital balance and totalled £32,787.75.

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	The Council's Risk Management Policy Statement, as adopted by the Council at the meeting of 31 st May 2022 covers the year 1 st April 2022 to 31 st March 2023, follows an internal review to ensure that there is protection in place for council's assets and that the manner in which council operates is in conformity with its overall objectives. The document can be regarded as a

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 £8.82 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

		<p>“live” register with evidence provided of reviews by both the Council and the Finance and Governance Committee on an as and when basis. <i>Comment: Council continues to ensure that it acts within the sphere of the controls as set out in the Risk Register for 2022 – 2023 and has demonstrated that in accordance with Proper Practices and with reference to the Accounts and Audit Regulations 2015, it has in place safe and efficient arrangements to safeguard public money and that a regular review of the safety of the parish council’s assets and in particular its money, is part of the methodical manner in which Council addresses the risks associated with the activities and services it provides.</i></p> <p>A scan of the minutes did not give rise to any unusual financial activity and there were no actions of a potentially unlawful nature being considered.</p> <p>The Council’s Risk Management Policy adopted by the Council at the meeting of 16th March 2023 covers the year 1st April 2022 to 31st March 2023 and follows an internal review, as carried out by the Projects and Finance Manager (13th January 2023) to ensure that there is protection in place for council’s assets and that the manner in which council operates is in conformity with its overall objectives. <i>Comment: Council continues to ensure that it acts within the sphere of the controls as set out in the Risk Register for 2022 – 2023 and has demonstrated that in accordance with Proper Practices and with reference to the Accounts and Audit Regulations 2015, it has in place safe and efficient arrangements to safeguard public money and that a regular review of the safety of the parish council’s assets and in particular its money, is part of the methodical manner in which Council addresses the risks associated with the activities and services it provides.</i></p>
<p><i>Is there evidence that risks are being identified and managed?</i></p>	<p>Yes</p>	<p>Council is aware that its risk assessment needs to not only focus on the safety of the parish council’s assets and in particular its money but also be expanded to undertake more extensive risk arrangements. The Council’s Officers have ensured that any risks to which the Council may be exposed, will not affect the council’s ability to achieve its objectives. As such the 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</p>

		<p>needs to take during the year to manage in order to avoid financial or reputational consequences. Acknowledging that risks are unavoidable, Council is aware that there will be a need for the identified risks to be managed either by mitigation or controls so that they are tolerated, treated, transferred or terminated.</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 in 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, at its meeting of 10th January 2023, agreed to enter into a three-year long-term agreement. Agreement was also forthcoming for the renewal to be for fourteen months to allow for a renewal date to be 25th February as opposed to 25th December.</p> <p>The following were verified: Core Cover Public / Products liability cover £15million; Employer's liability cover £10million; Money; Legal Expenses; Business Interruption; Recovery of / protection of Income and Legal Defence all of which have extensions and identified limits of liability. Fidelity Guarantee cover is £2million. Property Damage cover in in place for 33 premises / land as specified on the documents seen. Council's CyberRisk Insurance under a Management Liability Package was renewed at the same time.</p> <p><i>Comment: Fidelity Guarantee cover at £2million is just 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 is also advised to ensure that the risks associated with the large transfers of sums between the council operated banks and for the settlement of its debts are fully mitigated noting that the limit of liability for electronic transfer of money made in error is 10% of the liability of the limit for indemnity for internal crime or £250,000.00.</i></p> <p>Recommendation: Council might wish to seek a temporary extension to the liability cover for electronic transfers of money whilst the works</p>

		<p>associated with 25 Market Place and Station Road Redevelopment Construction Contract are ongoing.</p> <p>All Risks cover is in place for the council's premises as noted and assets with cover non-location specific. As part of its overall area of risk management, with particular reference to play equipment and associated areas, all play area inspection reports are submitted to and considered with relevant actions being undertaken where necessary.</p> <p><i>Comment: 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. Overall Council has understood the requirement to have in place safe and efficient arrangements to safeguard public money and noted guidance given 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></p>
<p><i>Evidence that internal controls are documented and regularly reviewed⁴</i></p>	<p>Yes</p>	<p>In accordance with the Regulation 6 of the Accounts and Audit Regulations 2015, quarterly reviews of the effectiveness of the system of internal control for the year 2022-2023 were carried out by the Finance and Governance Committee under the direction of Full Council as evidence in the meeting of 31st May 2022. At the same meeting, Council reviewed its internal controls as written within its Internal Control Policy and resolved that the internal controls in place were appropriate and effective for the Town Council. The Council's Monitoring Documents as adopted have identified the risks involved with and the potential for improvements to its arrangements to protect public money. Safe and efficient arrangements are in place to cover how the council orders goods and services, incurs liabilities, manages debtors, makes payments and handles receipts. Council, given its current level of finances, has sought to ensure that measures are fully explored to provide assurance to members that there is a robust system in place which is effective and adequate for preventing members from approving or</p>

⁴ Accounts and Audit Regulations

		<p>authorising fund transfers that are not supported by appropriate documentation.</p> <p><i>Comment: Council is aware that to comply with Regulation 6 of the Accounts and Audit Regulations 2015, it should carry out a formal review of the effectiveness of the system of internal control and should have in place monitoring documents which would identify the risks involved with and the potential for improvements to its arrangements to protect public money. In accordance with guidance, Council has adopted an Internal Control Policy 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><i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including consideration of the independence and competence of the internal auditor prior to their appointment⁵</i></p>	<p>Yes</p>	<p>In accordance with the Accounts and Audit Regulations 2015, the Parish Council formally reviewed the scope and effectiveness of its internal audit arrangements at the meeting of 31st May 2022 with the council judging that the extent and scope of work being proposed by its internal auditors is suitable for the council's needs and provides evidence that the work is effective.</p> <p><i>Comment: the review of the terms of reference and effectiveness of internal audit are demonstration that council has understood that the role of internal audit is to evaluate and report on the adequacy of the system on internal control. Whilst it is a matter for the council to determine how best to meet the statutory requirement for internal audit, its annual review of internal audit confirms that council has understood that such a review should provide sufficient assurance that standards are being met and that the work of internal audit is effective.</i></p>

⁵ Practitioners Guide

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
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes
<i>Regular reporting of expenditure and variances from budget</i>	Yes

Full Council at its meeting of 11th January 2022 approved the Revenue Budget for 2022/23 of £203,023 (to be funded from Precept and potential use of Reserves. Council’s Officers ensure that the “live” document is reviewed and updated on a regular basis.
Comment: 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. Council is advised to ensure that the minutes show the actual figures being approved so that there is clarity on the budget, precept and implications for Band D Council Tax.

Set at the above meeting, the minutes demonstrate that the agreed precept request of £118,610.35 would equate to a nil increase for a Band D property.

A review of the budget including detailed income and expenditure position is reported to Council in accordance with Council’s own Standing Orders. Evidence was seen of budget report to actual with committed expenditure and funds available breakdown. Expenditure breakdown by heading is provided to the Finance and Governance Committee which ensures detailed information is received for currently funded projects with significant or unanticipated variations submitted to full Council for discussion and agreement for corrective action (where required).

Comment: Council continues to show good practice by following the recommended key stages as to the budgetary process to be followed for the year and uses a variety of mediums to facilitate budget reporting on an income and expenditure basis.

In accordance with guidance, Council’s Officers have ensured that members are able to review and understand how the budget is put together and how it is used by the council for the delivery of its services.

		<p><i>Comment: reviewing the budget against actual expenditure and income allows members an early warning about the likelihood of a shortfall (or surplus) and assists then with agreeing or aligning corrective actions.</i></p> <p>Council continues with the practice of ensuring that virements between budgets are considered by full Council as and when they arise, subject to FR 4.2 which states that “No expenditure may be authorised that will exceed the amount provided in the revenue budget for that class of expenditure other than by resolution of the council, or duly delegated committee. During the budget year and with the approval of council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate (‘virement’).</p>
<p><i>Reserves held – general and earmarked⁶</i></p>	<p>Yes</p>	<p>The Council, at year-end, had overall reserves totalling £1,738,423.49 broken down as General Reserves at £145,187.97 and agreed Earmarked Reserves of £2,210,275.02. Full Council are expected to approve the breakdown of the Earmarked Reserves at the Council Meeting at which the year-end figures are finalised.</p> <p><i>Comment: Council is aware of the guidance as issued by Proper Practices which states that the accepted recommendation with regard to the appropriate minimum level of a Smaller Authority’s General Reserve is that this should be maintained at between three (3) and twelve (12) months Net Revenue Expenditure (NRE). NRE (subject to any planned surplus or deficit) is effectively Precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves (EMR). Council follows proper practices by annually reviewing its Reserve Policy (last review was 31st May 2022) noting that the minimum level of general reserves to be held by the Council is no less than an amount considered to be adequate for one (1) years’ worth of non-capital related expenditure. Within the policy, reserves are categorised as ‘general’ or statutory and earmarked which includes the restricted CIL reserve.</i></p>

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

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	<p>Income is recorded in accordance with Council’s Financial Regulations. 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 were carried out during the year-end internal audit visit on items paid under BACS / Direct Credit into the Council’s Accounts were cross checked against cashbook, bank statements and invoices raised by the Parish Council. All were found to be in order with a clear underlying audit trail.</p> <p>The outstanding sales ledger invoices for the period ending 31st March 2023 was seen and verified. At year-end the paperwork submitted show that the outstanding rent for 25 Market Place is to be written off as uncollectible. <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>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.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	Yes	Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 20 th January 2022 to being served on the Charging Authority to remittance advice showing the Precept to be paid and receipt of same in the Council’s Bank Account.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	During the year under review, Council received CIL receipts totalling £8,642.76.

⁷ Community Infrastructure Levy Regulations 2010

<i>Is CIL income reported to the council?</i>	Yes	CIL receipts received being reported within the financial reports submitted to full Council and the RFO provides Council with a comprehensive report prior to agreement to move CIL funds into the earmarked reserves for known projects.
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	The CIL reserve and projects to be funded from the CIL reserve form part of the Council's overall Earmarked Reserves, in accordance with the Regulations.
<i>Has an annual report been produced?</i>	Yes	A copy of the workings for the annual report for the year ending 31 st March 2023 showing retained balance of £31,577.20 was enclosed with the files submitted for Internal Audit. Full Council has still to formally approve the Annual CIL Statement.
<i>Has it been published on the authority's website?</i>	<i>In progress</i>	The Annual CIL Statement is still to be uploaded onto the Council's website in accordance with the timescales as prescribed by the 2010 Regulations.

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.

Evidence		Internal auditor commentary
<i>Is petty cash in operation?</i>	Yes	The council does not operate such a system.

Section 8 – Payroll controls

The Internal Auditor will check salaries were approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.

Evidence		Internal 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 2023. All staff have employment contracts which include provisions for annual reviews.

<i>Has the Council approved salary paid?</i>	Yes	All salary payments are presented to full Council for approval and payment is made in accordance with Council's Financial Regulations. From the paperwork seen, the National Salary Award 2022/23 applicable from 1st April 2022 was applied effective 1 st December 2022 with backpay payable from 1 st April 2022.
<i>Minimum wage paid?</i>	No	No employees are paid the national minimum wage.
<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	Cross-checks were completed on a sample of items each of salary, PAYE and pension contributions and these were all found to be in order. Salaries are paid in accordance with contracted hours worked. Gross pay due is calculated in accordance with the approved spinal point on the NJC scale or hourly rate and also with the contracted hours.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	Cross-checks were completed on a number of payments covering salary, pension and PAYE were found to be in order. Deductions paid to HM Revenue and Customs and the Pension Provider during the period under review were made in accordance with timescales as set out in the regulations. <i>Comment: 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>
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	A re-declaration of Compliance was carried out in 2022 and confirmed as having been done at the meeting in January 2023. All members of the Council's Staff are eligible to join the Council administered Pension Scheme if such a request is submitted. There are currently two members of staff registered within the local government pension scheme with approval given for the Town Council to register with NEST as a pension provider for the third member of staff along with any future employee who so requests to pay into a council pension scheme. <i>Comment: Council is aware of its pension responsibilities and payments are made in accordance with timescales agreed with the Council's Pension Provider.</i>

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

<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	There is a satisfactory expense system in place and all staff expenses claimed are approved in accordance with Council's Financial Regulations.
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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.		
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 for the period ending 31 st March 2023 as uploaded to the website (and as approved by Council at its meeting of 19 th April 2023) currently details assets to a total value of £792,585.02 and covers those assets on the operational asset list within the remit of the Town Council.
<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	Yes	A review of the asset register along with a spot check of a number of assets against insurance valuations was undertaken at the annual review. The Asset Register details assets held by the Council which have been defined as Fixed Assets broken down into Community Assets, Equipment, Fixture and Fittings and Vehicles. There are appropriate measures in place to allow for the tracking of additions and disposals from the previous year to the current year. The approved itemised list as at 31 st March 2023 will form the basis of Box 9 of the Annual Governance and Accountability Guide. <i>Comment: the council has understood the guidance issued ensuring that it maintains a formal asset register which is routinely updated to record new assets at historic cost price, net of VAT and to remove any disposed of / no longer serviceable assets.</i>
<i>Are records of deeds, articles, land registry title number available?</i>	Not covered	Records of deeds, articles, land registry title number were not reviewed during the internal audit review.
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The asset register in the value of £2,405,131.50 is still to be formally approved by full Council but it is confirmed that the values submitted on the

⁹ Practitioners Guide

		<p>Draft Annual Governance and Accountability Return for Internal Audit reflect the declared sum.</p> <p><i>Comment: in accordance with the Practitioners’ Guide, the key information needed in an asset register is date of acquisition, cost of acquisition, useful life estimate and location along with value held for investments. Assets under construction or have not yet been brought into use should only be included in the register once they are complete and can benefit the community.</i></p> <p>In accordance with the Practitioners’ Guide, Council’s Officers have ensured that the most appropriate and commonly used method of fixed asset valuation is at acquisition cost and have ensured that the asset will not change from year to year unless it is materially enhanced.</p> <p><i>Comment: Commercial concepts of depreciation, impairment adjustments and revaluation are not appropriate for this method of asset valuation.</i></p>
Cross checking of insurance cover	Yes	<p>Business all risk cover is provided within the boundaries of Southwold under generic headings: Street Furniture, Benches, Bins, Shelters and Finger Posts; Playground Equipment and Surfaces; War Memorials; Town Pump; Finger Posts; CCTV equipment; Town Signs; Town Shelter and Red phone box for defibrillator. Specified items all risk cover was also reviewed and is in accordance with the schedule as seen</p>

<p>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.</p>		
Evidence		Internal auditor commentary
Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?	Yes	<p>Bank reconciliations are completed on a regular basis and reconcile with the cash sheets. Overall there is regular reporting of bank balances within the detailed financial reports submitted to full Council.. Detailed Balance Sheets along with Detailed Profit and Loss Account Reports are also submitted in accordance with the timescales prescribed within Council’s Standing Orders and form part of the minutes that are retained in hard copy by the Council.</p>

		Approval of the bank reconciliation by the authority or the chair of the committee or another authority nominee is not only good practice but is also a safeguard for the RFO and will fulfil one of the authority's internal control objectives.
<i>Do bank balances agree with bank statements?</i>	Yes	<p>Bank balances agree with year-end statements and, as at year end (31st March 2023), the balance across the councils accounts stood at £820,234.35 as recorded in the Draft Statement of Accounts and on the Year-end Bank Reconciliation.</p> <p>Balances are as follows: Current bank account: £29,880.64 Business account: £1,122,761.08 32 Day Notice account: £60,344.46 Public Sector Deposit Fund: £800,968.36 Instant Online: £0.01</p>
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	<p>Balances across the Council's accounts are reported at each meeting of full Council. In accordance with Council's Internal Control Statement, the RFO has ensured 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> <p>At its meeting of 31st May 2022, Council, mindful that under statute it is required to maintain adequate financial reserves to meet its needs, reviewed its adopted Investment Strategy which was deemed to be appropriate and suitable for the coming financial year.</p> <p><i>Comment: in accordance with the DLUHC's statutory guidance on local government investments, Council having exceeded the threshold specified, has produced and approved an annual investment strategy outlining the council's objectives and reasoning for the holding of its investments. Council might also wish to note guidance that states that long-terms investments (i.e. those for more than 12-month terms) should be reported as Assets in the AGAR Section 2 Box .</i></p>

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	<p>Accounts are produced on an income and expenditure basis, and all were found to be in order. The Internal Auditor confirms that having reviewed the year-end files; it is confirmed that the financial detail to be reported at Section 2 of the AGAR accurately reflects the detail in the accounting records maintained for the financial year. As the Council's annual turnover exceeds £200,000 appropriate records were maintained throughout the year on an income and expenditure basis and appropriate accounting arrangements were in place to account for debtors and creditors during the year and at the financial year-end.</p> <p><i>Comment: in accordance with guidance issued within the Practitioners' Guide (March 2022) council's accounting processes include accrual accounting and balance sheets. The RFO is aware that the transactions for the year must comprise all those instances in the twelve months where the authority has received economic benefits or given others economic benefits (irrespective of the year in which they are paid for).</i></p>
<i>Financial trail from records to presented accounts</i>	Yes	<p>Debtors and creditors have been properly recorded. Council has ensured that its records detail the assets and liabilities of the authority including the asset and investment register and records of loans and other debts. The Council has not applied any de minimis level on year-end accruals. There is a full audit trail from records to presented accounts with year-end balances agreeing with cash book and bank reconciliations:</p> <p>Total Assets: £164,436.11 Bank Accounts: £2,013,954.54 less Liabilities: £214,104.62 Represented by: Total Reserves: £2,355,462.99</p>

<p><i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i></p>	<p>Yes</p>	<p>As the Council is a smaller authority with gross income and expenditure exceeding £25,000 but not exceeding £6.5million it will be required to complete Part 3 of the AGAR. The draft Accounting Statements from the accounting software were submitted for internal audit review and it was confirmed that these have been transposed onto Section 2 Accounting Statements of Part 3 of the AGAR to be presented to full Council for approval prior to submission to the External Auditors. Section 2 has been signed by the RFO in preparation for submission to the full Council and the Internal Auditor has completed the Annual Internal Audit Report of the AGAR. <i>Comment: It should be noted that given its level of income, the Council meets the requirement for an intermediate level review. Details of the additional submission requirements for those meeting this level of review can be found within the Detailed Instructions Update for the year ending 31st March 2023.</i></p>
<p><i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i></p>	<p>n/a</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>During the review of the publication requirements of the Accounts and Audit Regulations 2015, for the year 2021-2022, the Council correctly provided for the exercise of elector's rights during Summer 2022. The RFO had set the dates for the inspection of the Council's accounts and associated documents as 28th June to 8th August 2022 with the notice dated as 27th June 2022.</p>
<p><i>Have the publication requirements been met in accordance with the Regulations?¹¹</i></p>	<p>Yes</p>	<p>In accordance with the Accounts and Audit Regulations 2015, as a smaller authority with either income or expenditure exceeding £25,000 but not exceeding £6.5 million, it is confirmed that the Council did comply with the requirements of the Accounts and Audit Regulations 2015 for the year ending 31st March 2022 as it published the following on its website: Annual Internal Audit Section 1 - Annual Governance Statement Section 2 - Accounting Statements Section 3 - The External Auditor Report and Certificate Notice of the period for the exercise of public rights and other information required by Regulation 15(2) Accounts and Audit Regulations 2015.</p>

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

		<i>Comment: Council might wish to note that there is a requirement to ensure that Sections 1, 2 and 3 are published and remain available for public access for a period of not less than 5 years from the date of publication.</i>
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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 Council considered the previous internal audit report?</i>	Yes	The Internal Audit Report for the year ending 31 st March 2022 was formally considered by Full Council at its meeting of 31 st May 2022 with agreement that formal adoption of the report be approved by full Council. The Finance Committee were tasked with reviewing the action point arising from the internal audit and reporting back at a future Full Council meeting.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	<p>The following recommendations having been considered by full Council have been / are in the process of being implemented:</p> <ol style="list-style-type: none"> 1. Treatment of Apologies <p>At the meeting of 28th June 2022, Full Council agreed an action plan to address the recommendations from the Internal Audit Report as recommended by the Finance and Governance Committee. Council approved a policy for the submission of and acceptance of apologies in certain circumstances only.</p> <p><i>Comment: Council has understood the requirement to ensure that, having received a narrative internal audit report, it should minute its review of the work conducted and agree actions from the outcomes identified (if applicable) and that the corrective plan should provide for rectification methods; period by which the action must be completed; responsible persons; completion date and relevant notes.</i></p>
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC were re-appointed as the Council's internal auditors for the year ending 31 st March 2023 by full Council at the annual council meeting of 31 st

		<p>May 2022 following confirmation that the Council were of the opinion that SALC were an effective auditor for the Town Council.</p> <p><i>Comment: Council has understood the requirement to ensure that it has a clear understanding of the roles and responsibilities for internal audit, audit planning and timing of visits, reporting requirements; access to information; period of engagement and remuneration.</i></p>
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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 considered.		
Evidence	<i>Internal auditor commentary</i>	
<i>Has the Council considered the previous external audit report?¹²</i>	Yes	At the meeting of full Council of 27 th September 2022, Council considered the report from the External Auditor for the year ending 31 st March 2022. It is confirmed that the external audit for the year ended 31 st March 2022 has been completed and the notice of completion is publicised on the website and Town Council noticeboard.
<i>Has appropriate action been taken regarding the comments raised?</i>	Yes	There were no matters which came to the attention of the external auditor that gave cause for concern that relevant legislation and regulatory requirements have not been met.

Section 14 – additional information The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.	
Evidence	<i>Internal auditor commentary</i>

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.*

<p><i>Was the annual meeting held in accordance with legislation?</i> ¹³</p>	<p>Yes</p>	<p>The Annual Meeting of the Parish Council was held on 10th May 2022 with the first item on the agenda being the election of the Chair (Mayor) in accordance with the Local Government Act of 1972 15(1). In accordance with section 83(4) of the 1972 Act, Council has ensured that the Chair and Vice-Chair (Mayor and Deputy-Mayor), on being elected to office, have signed their declaration of acceptance of office. At the same meeting, Council approved the position of Chair & appointments to its Committees & Sub-Committees.</p> <p>At the meeting of 31st May 2022 Council resolved to adopt the Model Councillor Code of Conduct 2020 with changes in line with the Local Government Association (LGA) Model Template for the purposes of discharging its duty to promote and maintain high standards of conduct within its area. <i>Comment Council has also noted guidance which recommends that the Code, once adopted, should be published on the Council's website.</i></p> <p>During the year under review, at the meeting of 27th September 2022, the Town Council signed up to the Civility & Respect Pledge and the Dignity at Work Policy thereby demonstrating support for the National Association of Local Council project allowing local councils to demonstrate a commitment to stand up to poor behaviour across the sector and enforce positive changes that support civil and respectful conduct.</p>
<p><i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴</p>	<p>Yes</p>	<p>Council has ensured that under LGA 1972 schedule 12, paragraphs 41(1) and 44 the draft minutes of a meeting are formally approved (with any necessary amendments) at the next meeting. At each meeting, the Chair is given formal approval to sign the minutes. Furthermore, to ensure that looseleaf minute books are lawful, Council might wish to verify that the pages are consecutively numbered and initialled by the person signing the minutes at the time of signature (LGA 1972. Sch. 12, para 41(2)). <i>Comment: in accordance with proper practices, the internal auditor has undertaken a review of the minutes of the Council (including supporting</i></p>

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

¹⁴ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972, and the Localism Act 2011

		<p><i>papers) to gain an overview of the Council's financial and governance controls and to monitor that no actions of a potentially lawful nature are being considered or any such decisions have been taken. It is confirmed that the approval of all minutes is in accordance with the above legislation.</i></p> <p>Council might wish to review the status of the minutes of 26th April 2022, 17th October 2022 and 9th December 2022 as they appear to be still showing as draft on the website.</p>
<i>Is there a list of members' interests held?</i>	Yes	<p>Evidence was seen on the District Authority's website of the Register of Interests for all Councillors (those serving up to 31st March 2023) with a direct link from the Council's own website for all of the Council's members. <i>Comment: Council has followed guidance under the Openness and Transparency on personal interests – a guide for Councillors – August 2012 -which recommends that where a parish (town) council has their own website, its register of interests must be published on that website. A direct link from Council's website to the District's will satisfy the guidance issued.</i></p>
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	Not applicable	<p>The council has no sole trustee responsibilities.</p>
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	In progress	<p>Council is aware that 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. Council's Officers are continuing to work towards ensuring compliancy with the minimum datasets that should be published as per the requirements as set out in the Local Government Transparency Code (2015), with a range of documents relating to the current year being able to view on the Council's website. <i>Comment: For Southwold Town Council, the transparency code requirements include the publication of quarterly reporting of spending transactions valued over £500; quarterly reporting of invitation to tender for contracts over £5,000; quarterly publication of details of every transaction on a government procurement card; the annual reporting of organisational charts; annual reporting of details of remuneration and job title of certain senior employees whose salary is at least £50,000; annual reporting of all</i></p>

		<i>grants made to voluntary, community and social enterprise organisations and the annual reporting of the location of public land and assets.</i>
<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁵</i>	Yes	<p>The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation.</p> <p>Under the Freedom of Information Act (FOI) 2000, all public authorities must provide access to information held by that authority which must be published proactively. The Publication Scheme should also contain not only the details as to the information that the Council holds but also the manner in which it will be made available to the public. Council's Model Publication Scheme, as adopted by full Council at the meeting of 31st May 2022, is available to view on its website and provides details as to how the public may request information from the council, subject to certain exemptions.</p> <p><i>Comment: Council is aware that all requests submitted under the FOI should be considered on their own merits and that each request needs to be assessed against the Freedom of Information criteria.</i></p>
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	<i>In progress</i>	<p>The Council continues to undertake work to ensure compliancy with the Regulations and will need to expand its documents 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 to demonstrate that it is working within the guidelines of the regulations..</p> <p><i>Comment: Council should consider adopting policies that provide the framework for responding to Subject Access Requests (SAR); that cover the internal procedures on the handling of SARs and that deal with security breach incidents covering organizational risks. Such policies should also include procedures for handling requests for rectification, erasure or restriction of processing and a response plan for dealing with a security breach.</i></p>
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	Yes	Council has published a website accessibility statement on the Council operated website detailing the technical information of the website along

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

		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>Does the council have official email addresses for correspondence?¹⁷</i>	Yes	
<i>Is there evidence that electronic files are backed up?</i>	Yes	Council's day to day records are automatically daily backed-up to a cloud-based secure system.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	Yes	
Additional comments:		
<p>Summary: The Internal Auditor offers her appreciation for the assistance given by the Town Clerk and Deputy Clerk in completing this audit.</p> <p>Council has continued to maintain effective governance arrangements and can show evidence of strong governance and good financial practice. The internal audit review, undertaken on the documentation provided during the visit to the Council's Offices as well as from that found online via the Council's website, has provided evidence of the overall adequacy of the financial arrangements in place within the council. The internal auditor is pleased to report that there is an effective level of the council's overall controls and decision-making processes.</p> <p>For further information on the changes to Proper Practises for the year effective 1st April 2023 please refer to Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements - March 2023.</p>		

Signed: V S Waples

Date of Internal Audit Visit: 24.05.2023

Date of Internal Audit Report: 25.05.2023

On behalf of Suffolk Association of Local Councils

¹⁷ Practitioners Guide