

## Internal Audit Report for Southwold Town Council for the year ending 31<sup>st</sup> March 2022

Clerk	Lesley Beevor
RFO (if different)	
Chairperson	Will Windell
Precept	£ 117,962
Income	£ 451,964
Expenditure	£ 972,139
General reserves	£ 183,383
Earmarked reserves	£1,738,423
Audit type	Annual
Auditor name	<b>Victoria Waples</b>

### 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 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 conducted as planned

<b>Section 1 – proper bookkeeping</b>		
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.		
<b>Evidence</b>		<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.
<i>Is the cash book up to date and regularly verified?</i>	Yes	The cashbook is kept up to date and regularly verified against bank statements and remains the focus for day-to-day accounting. The Responsible Financial Officer 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	Spot checks were made and were found to be correct. Journal entries between cost codes for the period under review were seen and verified. The Town Clerk as Responsible Financial Officers has ensured that the cash book is the focus for day-to-day accounting and is aware that the balancing off and reconciliation to the bank statement remains the most important control over the accounting system.
<b>Additional comments:</b>		

<b>Section 2 – Financial Regulation and Standing Orders</b>	
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		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 25 <sup>th</sup> May 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.
Are Financial Regulations up to date and reviewed annually?		Financial Regulations (FR), were reviewed by the Town Council at the same meeting, 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. <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?		The Council's current Financial Regulations have been tailored to the Town Council.
Has the Council appointed a Responsible Financial Officer (RFO)? <sup>1</sup>	Yes	The Council, at its meeting of 25 <sup>th</sup> May 2021, 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, full Council, at its meeting of 25 <sup>th</sup> May 2021, authorised the Clerk to seal legal and civic documents using the Council's common seal for sealing a deed required by law.
<p><b>Additional comments:</b> 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. Council might also wish to note that NALC have updated LTN 87 Procurement to bring it into line with the procurement position post-Brexit and also contains the current procurement threshold figures. Whilst the change is only to model standing order 18, they have stated that they will be updating model standing orders later this year.</p>		

<sup>1</sup> Section 151 Local Government Act 1972 (d)

<b>Section 3 – Payment controls</b>		
<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>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	<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 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>
Where applicable, are internet banking transactions properly recorded and approved?	Yes	Internet banking is operated in accordance with the Council's own Financial Regulations. The RFO has ensured that the Council has

		<p>implemented the procedure whereby invoices due for payment are submitted at each full Council Meeting which are verified and authorised for release.</p> <p><i>Comment: 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.</i></p>
<p>Is VAT correctly identified, recorded, and claimed within time limits?</p>	<p>Yes</p>	<p>VAT is clearly identified in the ledger book and claimed in accordance with the guidelines for local authorities and similar bodies. The quarterly claims for periods ending 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December 2021 were reviewed and spot checks undertaken to ensure a full audit trail. The year-end position of £5,343.61 is verified in the cashbook and was claimed after the year had been closed.</p>
<p>Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly?<sup>2</sup></p>	<p>Yes</p>	<p>At the meeting of 9<sup>th</sup> 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 25<sup>th</sup> May 2021 reconfirmed that it meets the criteria for eligibility on terms of electoral mandate and relevant qualifications of the Clerk.</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>

<sup>2</sup> Localism Act

Are payments under s.137 <sup>3</sup> 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 21 <sup>st</sup> September 2021 and 19 <sup>th</sup> March 2022 with the interest rate of 1.77% applied. Balance outstanding as at 31 <sup>st</sup> March 2022 was £165,000.
<b>Additional comments:</b>		

<b>Section 4 – Risk management</b>		
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.		
<b>Evidence</b>	<b>Internal auditor commentary</b>	
<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 25 <sup>th</sup> May 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 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 procedures in dealing with invoices settled by internet banking and the reporting of the income banked in the council's name. Council's annual financial risk assessment documentation includes specific

<sup>3</sup> 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 £8.41 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.



		control procedures for cash handling procedures and pre-paid debit card (to be incorporated into a usage policy).
<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 &amp; Sun Alliance was seen. At renewal, Council is in a long-term agreement which expires 24<sup>th</sup> December 2022.</p> <p>The following were verified: Core Cover Public / Products liability cover £15million; Employer's liability cover £10million; Money £10thousand with extensions; Legal Expenses £100thousand/£100million; Business Interruption £810thousand(Gross rentals) with extensions &amp; £41thousand (Income) with extensions; Legal Defence £100thousand. 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>As mentioned in the Internal Audit report for the year 2020-2021, Fidelity Guarantee cover at £2million is just above 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. However it is noted that, at the meeting of the Town Council of 29<sup>th</sup> June 2021, it was recommended (following a review by the Finance and Governance Committee) that the Fidelity Guarantee cover should remain at £2million and that council should seek to reduce "risk" further by also looking at transferring additional funds into CCLA. It was further agreed that an additional 500k be transferred from bank balances into the CCLA. Evidence was seen of such a transfer to the Public Sector Deposit Fund.</p> <p>The minutes of the Finance and Governance Committee meeting of 19<sup>th</sup> November 2021, confirmed that, in accordance with Council's FR 15.1, the</p>



		Clerk had met with Council's insurance broker to review all policy items and to ensure that all sums assured were appropriate. It is noted that minor amendments were required to the policy and that those were in place prior to renewal.
<i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i>	Yes	<p>At the meeting of 25<sup>th</sup> May 2021, full 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. 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 authorising fund transfers that are not supported by appropriate documentation. The minutes of 25<sup>th</sup> May also confirm that minimum quarterly reviews will be undertaken and minuted as having taken place with action arising by the Finance and Governance Committee.</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.</i></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 appointment<sup>5</sup></i>	Yes	<p>In accordance with Proper Practices, full Council at its meeting of 25<sup>th</sup> May 2021, reviewed the effectiveness of internal audit and that the Internal Audit Service as proposed by Suffolk Association of Local Council was effective.</p> <p><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>
<b>Additional comments:</b>		

<sup>4</sup> Accounts and Audit Regulations

<sup>5</sup> Practitioners Guide

<b>Section 5 – Budgetary controls</b>	
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	
<b>Evidence</b>	Internal auditor commentary
<p><i>Verify that budget has been properly prepared and agreed</i></p>	<p>Yes</p> <p>Full Council at its meeting of 26<sup>th</sup> January 2020/21 approved the Revenue Budget for 2020/21 of £247,747(to be funded from Precept and potential use of Reserves) and the Capital Budget of £489,700 to be funded from Capital Income of £257,883 and Reserves. It was noted that the budget was an aspirational one and that the use of reserves to balance the expenditure was discussed as preferably being a short-term policy. Members were reminded that this was a live document and would be reviewed and updated on a regular basis.</p> <p><i>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.</i></p>
<p><i>Verify that the precept amount has been agreed in full Council and clearly minuted</i></p>	<p>Yes</p> <p>The precept in the sum of £117,682.82 was set at the same meeting with the minutes recording that this would set a charge of £108.99 for a Band D Property which would show as a -0.55% in the 2022/23 Council Tax bills when compared with that set for 2021/22. (It was noted that this would show as a 0% increase for residents on their tax notification). The minutes record that the revenue funding gap would be filled from reserves and that with interest rates presently low, the Finance and Governance Committee would also consider other funding opportunities including loans for capital repairs.</p> <p><i>Comment: Council has ensured 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.</i></p>

<p><i>Regular reporting of expenditure and variances from budget</i></p>	<p>Yes</p>	<p>A review of the budget including detailed income and expenditure position is reported to the Finance and Governance Committee in accordance with Council's Terms of Reference. Expenditure breakdown by heading is provided to the Committee which ensures detailed information is received for currently funded projects. 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>Comment: Council continues with good practise by ensuring that, in accordance with its own Financial Regulations, all virements to and from the Council's Earmarked Reserve Pool follow Model Financial Regulation 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')".</i></p>
<p><i>Reserves held – general and earmarked<sup>6</sup></i></p>	<p>Yes</p>	<p>The Council, as at 31<sup>st</sup> March 2022, had overall reserves totalling £1,921,806 with agreed Earmarked Reserves of £1,738,423 and General Reserves at £183,383</p> <p><i>Comment: 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>

<sup>6</sup> 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

		<p>At the meeting of the Finance and Governance Committee of 20<sup>th</sup> April 2022, the minutes confirmed that reserve movements would be made for expenditure incurred for the Station Road redevelopment project, CIL retained balances, Staff Resources and Asset Maintenance and Repairs as part of the year-end close down.</p> <p><i>Comment: Council's Reserves Policy, as readopted by Full Council at its meeting of 25<sup>th</sup> May 2021, has been used to form the basis of the Council's annual review of its reserves and Council has noted guidance within 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.</i></p>
<b>Additional comments:</b>		

<p><b>Section 6 – income controls</b>                  The internal auditor will seek evidence to ensure income is correct managed – recorded, banked, and reported and test mechanisms used to achieve this.</p>		
<b>Evidence</b>		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	Yes	<p>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.</p> <p>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</p>

		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	<p>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> <p>The outstanding sales ledger invoices for the period ending 31<sup>st</sup> March 2022 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 £117,962.68 the year under review in April and September 2021. Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of 28 <sup>th</sup> January 2020, served on the Charging Authority to receipt of same in the Council's Bank Account. The Precept remittance advice for April 2021 shows that included within the sum of £59,463.34 is the Tax Base Grant for 2021-2022 of £482.00
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	Yes	For the year under review, Council receive CIL Receipts in the sum of £11,541.08.
<i>Is CIL income reported to the council?</i>	Yes	All income received is reported within the detailed financial management reports summarizing the Council's receipts and payments as submitted to the Finance and Governance Committee.
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	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.
<i>Has an annual report been produced?</i>	<i>Partly met</i>	A copy of the workings for the annual report for the year ending 31 <sup>st</sup> March 2022 showing retained balance of £48,367.97 was enclosed with the files submitted for Internal Audit. Full Council has still to formally approve the Annual CIL Statement.

<sup>7</sup> Community Infrastructure Levy Regulations 2010

<i>Has it been published on the authority's website?</i>	No	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.
<b>Additional comments:</b>		

<b>Section 7 – petty cash</b> 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.		
<b>Evidence</b>		Internal auditor commentary
<i>Is petty cash in operation?</i>	Not applicable	The Council does not operate such a system.
<b>Additional comments:</b>		

<b>Section 8 – Payroll controls</b> 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. If the Clerk was recruited after 1 <sup>st</sup> April 201, 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.		
<b>Evidence</b>		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	Yes	Council had 2 employees on its payroll at the period end of 31 <sup>st</sup> March 2022. The contract for the Town Manager post expired 31 <sup>st</sup> March 2022. All staff have employment contracts which include provisions for annual reviews.
<i>Has the Council approved salary paid?</i>	Yes	Salary payments are authorised by full council. From the paperwork seen and as confirmed by the Town Clerk, the National Salary Award 2021/22 applicable from 1 <sup>st</sup> April 2021 was applied effective 1 <sup>st</sup> March 2022 with backpay from 1 April 2021 to those members of staff wishing to take the award.



<i>Minimum wage paid?</i>	Yes	The minimum wage is not applied to any current members of staff.
<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. The payroll function is carried out inhouse and is operated in accordance with HM Revenue and Customs guidelines.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>		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?<sup>8</sup></i>	Yes	<p>The minutes of 19<sup>th</sup> July 2021 confirm that 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.</p> <p><i>Comment: Council is aware that every three years an employer must put certain staff back into a pension scheme. This is known as 're-enrolment'. This is an employer's legal duty and Council's must let the Pension Regulator know when they have completed the task by completing and submitting a re-declaration of compliance. The Town Clerk has diarised the re-enrolment date which is noted as being between 30 May and 29 November 2022.</i></p>
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	<p>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.</p> <p>All expenses / payments made are against itemised invoices are approved accordance with Council's Financial Regulations.</p>
<b>Additional comments:</b>		

<sup>8</sup> The Pension Regulator – [website click here](#)



<b>Section 9 – Asset control</b>		
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.		
<b>Evidence</b>		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?<sup>9</sup></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.
<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>		<p>The Asset Register was reviewed during the Internal Audit Visit and a spot check of assets against insurance valuations was undertaken and found to be in order. The Asset Register at year-end shows assets to the value of £5,794,200 which shows movement of -£675,122 following the demolition of four buildings within the Council’s portfolio.</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>A number of Council’s assets have been stated at either insurance value or replacement cost.</p>

<sup>9</sup> Practitioners Guide

		<i>Comment: Council will need to be mindful of the guidance within the Joint Panel on Accountability and Governance (JPAG) Practitioners on the valuation of its assets which required authorities to apply a reasonable approach to asset valuation which is consistent from year to year. Where an authority changes its method of valuation during a financial year, the Council has noted that it will need to restate the prior year's figure in Line 9 of the Annual Governance and Accountability Return.</i>
<i>Are records of deeds, articles, land registry title number available?</i>	Yes	Records of deeds, articles, land registry title number were not reviewed during the internal audit.
<i>Is the asset register up to date and reviewed annually?</i>	Yes	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.
<i>Cross checking of insurance cover</i>	Yes	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.
<b>Additional comments:</b>		

<b>Section 10 – bank reconciliation</b>		
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.		
<b>Evidence</b>		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.

<p><i>Do bank balances agree with bank statements?</i></p>	<p>Yes</p>	<p>Bank balances agree with period end statements and, as at year end (31<sup>st</sup> March 2022), the balance across the councils accounts stood at £2,013,954.55 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: £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> <p><i>Comment: It is noted that the Council's Investment Strategy for the years 2020/2021, as adopted in June 2020, is to be reviewed by the Finance and Governance Committee at its May 2022 meeting. Council has noted that this document should be reviewed on an annual basis.</i></p>
<p><i>Is there regular reporting of bank balances at Council meetings?</i></p>	<p>Yes</p>	<p>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>
<p><b>Additional comments:</b></p>		

<p><b>Section 11 – year end procedures</b></p>		
<p><b>Evidence</b></p>	<p><i>Internal auditor commentary</i></p>	
<p><i>Are appropriate accounting procedures used?</i></p>	<p>Yes</p>	<p>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</p>

		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: £67,956 VAT Account: £1,818 Bank Accounts: £2,081,495 less Creditors: £161,921 Represented by: Total Reserves: £1,921,806
<i>Has the appropriate end of year AGAR<sup>10</sup> documents been completed?</i>	Yes	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.  <i>Comment: Council is aware that under intermediate level review procedures the following additional information is required for the year 2021-2022:</i> <ul style="list-style-type: none"> <li>• <i>Basic level review information</i></li> <li>• <i>If the authority acts as sole managing trustee of as local trust or trusts, the charity commission filing documents submitted during 2021/22 in respect of the 2020/21 reporting year.</i></li> <li>• <i>If the 2020/2021 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></li> </ul>
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	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.
<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>	Yes	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 31 <sup>st</sup> March 2021 were from 29 <sup>th</sup> June 2021 until 9 <sup>th</sup> August 2021.

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<sup>10</sup> Annual Governance & Accountability Return (AGAR)

<i>Have the publication requirements been met in accordance with the Regulations?</i> <sup>11</sup>	Yes	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 2021 and published the following on a public website: Annual Internal Audit Report of the AGAR (as well as the written narrative that accompanies the report) 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
<b>Additional comments:</b>		

<p><b>Section 12 – internal audit</b>                  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.</p>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous internal audit report?</i>	Yes	The Internal Audit Report and the Annual Internal Audit Report was considered and adopted by full Council at its meeting of 25 <sup>th</sup> May 2021 with a further resolution to adopt the action plan arising from the Internal Audit. The Finance and Governance Committee were tasked with ensuring compliance with the report and, having reviewed further documentation at their meetings of 19 <sup>th</sup> July 2021 & 4 <sup>th</sup> August 2021 carried out the actions identified below.
<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 one action plan arising from the internal audit report. The recommendation raised in the Annual Internal Audit Report for the year ending 31 <sup>st</sup> March 2021 covered the following:

<sup>11</sup> Accounts and Audit Regulations 2015

		<p>1. Expansion of Internal Control Report with regards to the authorization and release of online payments.</p> <p>The meeting of 4<sup>th</sup> August 2021, approved that additional wording be incorporated in the internal control statement at 5.3 and 5.4 and the action point is confirmed as being closed.</p>
<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 Town Council meeting of 25 <sup>th</sup> May 2021.
<b>Additional comments:</b>		

<b>Section 13 – external audit for the period under review</b>		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be considered.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?<sup>12</sup></i>	Yes	At the Town Council meeting of 29 <sup>th</sup> September 2021, Council formally accepted and approved the adoption of the Limited Assurance Review as carried out by the External Auditor. Council has taken steps to advertise the conclusion of the audit and follows the approved steps as set out in the Accounts and Audit Regulations 2015 (SI 2015/234) as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 (SI 2020/404).
<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.
<b>Additional comments:</b> <i>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>		

<sup>12</sup> 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.*



<b>Section 14 – additional information</b>		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> <sup>13</sup> <i>(Note to auditor- emergency Regulations because of the COVID-19 pandemic)</i> <sup>14</sup>	Yes	<p>Council held its Annual Council Meeting on 18<sup>th</sup> May 2021 in person at which the Chair and Vice-Chair for the coming year were elected as the first items on the agenda, in accordance with legislation.</p> <p><i>Comment: On 4<sup>th</sup> April 2020, the Government included within s.78 in the Coronavirus Act 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 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 for its meeting held before 7<sup>th</sup> May 2021. In accordance with the repeal of the Coronavirus Act 2020 legislation all full Council and Committee meetings held after 7<sup>th</sup> May 2021 were held in person.</i></p>
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> <sup>15</sup>	Yes	<p>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. Minutes seen for internal audit demonstrate that each page of the minutes for that meeting have been signed and each page given a unique reference number.</p> <p>Whilst the minutes show apologies given (where applicable), there is no formal record to show that Council has approved the apologies submitted.</p> <p><b>Recommendation: s85 of the 1972 Act states that “..if a member of a local authority fails throughout a period of six consecutive months</b></p>

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

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

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



		<p>from the date of his last attendance to attend any meeting of the authority, he shall, unless the failure was due to some reason approved by the authority before the expiry of that period, cease to be a member of the authority." Council is advised to ensure that all absences are not merely recorded but approved by the Council thereby ensuring that the absence is not treated as unapproved. An accidental or unforeseen absence at a subsequent meeting could then lead to an unnecessary disqualification. NALC LTN 5 provides further clarity on this matter including the good practice of seeking approval for an apology in writing. NALC also includes 'Apologies and approval of absences' in their sample agenda on page 161 of Local Councils Explained and addresses the process in paras 27-29 of LTN 5.</p>
<p><i>Is there a list of members' interests held?</i></p>	<p>Yes</p>	<p>Evidence was seen on the District Council's website of the Register of Interests for all current Town Councillors.</p> <p><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></p>
<p><i>Does the Council have any Trustee responsibilities?</i></p>	<p>Not applicable</p>	<p>The council has no sole trustee responsibilities.</p>
<p><i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i></p>	<p>Yes</p>	<p>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 and noted the publication frequencies of those items covered under the legislation.</p>
<p><i>Has the Council registered with the Information Commissioner's Office (ICO)?<sup>16</sup></i></p>	<p>Yes</p>	<p>The council is correctly registered with the ICO as a Data Controller in accordance with legislation. Reference: ZA247360 Expires 01/05/2023.</p>

<sup>16</sup> Data Protection Act 2018

		As previously noted, , public authorities, under the Freedom of Information Act 2000, must provide access to information held which must be published proactively. At its meeting on 30 <sup>th</sup> 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. The revised scheme was available to view on its website.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The Council has taken steps to ensure compliancy and has a comprehensive suite of 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. All of which are available to view on the Council's website. At the meeting of 25 <sup>th</sup> May 2021, it was confirmed that the Council and Councillors were aware of their responsibilities and obligations in relation to the collecting, using and protecting of personal information in accordance with the provisions of the GDPR ad Data Protection Act 2018.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?<sup>17</sup></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>Does the council have official email addresses for correspondence?<sup>18</sup></i>	Yes	Council has a .com domain for its council website which also supports a secure and digitally managed email system.  <i>Comment: Council is aware of the importance of ensuing that it uses a secure e-mail system thereby identifying that it has a secure status and demonstrating authenticity when building trust and credibility with the public. Council has also adhered to the guidance contain within proper practices which recommends that a domain name be used to support council's official email accounts for officers and councillors.</i>

<sup>17</sup> Website Accessibility Regulations 2018

<sup>18</sup> Practitioners Guide

<i>Is there evidence that electronic files are backed up?</i>	Yes	During the year under review, the Council commissioned CloudyIT Ltd to provide remote storage ability and assist the Council with its progression to using more modern efficient working practices. Council has taken the opportunity of using the full remit of the services offered by the provider including ongoing IT support.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	Yes	At the meeting of 11 <sup>th</sup> January 2022, Council agreed to keep the emergency scheme of delegation (revised model 2022), and to keep this in place until the council otherwise revokes.
<i>Neighbourhood Planning</i>		During the year, significant progress was achieved with the Southwold Neighbourhood Development Plan (NDP). Following the presentation of information to residents, a local referendum took place on 3 <sup>rd</sup> February 2022 and the NDP was approved by voters. Details of the referendum and the NDP have been published on the Council's website. On 23 <sup>rd</sup> February 2022, East Suffolk Council formally made the Plan, which now carries full weight in terms of the Development Local Plan for the District and is a material consideration in all planning matters for Southwold.
<b><i>Additional comments:</i></b>		
<p>Summary: The Internal Auditor offers her appreciation for the assistance given by the Town Clerk in completing this audit. The internal audit review, undertaken on the documentation provided to the internal auditor and that published on the Council's website, has provided evidence of the overall adequacy and robustness of the financial arrangements in place within the Council. 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, a number of comments and recommendations have been made in the light of the year ending 31<sup>st</sup> March 2022 with areas identified that, given Council's level of income and expenditure, could be expanded to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively.</p> <p><b><i>For the year effective 1<sup>st</sup> April 2022, 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 2022.</i></b></p>		

Signed: V S Waples

Date of Internal Audit Visit: 11.05.2022

Date of Internal Audit Report: 11.05.2022

On behalf of Suffolk Association of Local Councils