

**Internal Audit Report**  
**Year ending: 31<sup>st</sup> March 2020**

<b>Name of Council:</b>	SOUTHWOLD TOWN COUNCIL
<b>Income:</b>	£451,209
<b>Expenditure:</b>	£331,856
<b>Precept Figure:</b>	£120,000
<b>General Reserve:</b>	£141,038
<b>Earmarked Reserves:</b>	£1,584,657

## **Internal Audit Objectives and Responsibilities**

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council, and to achieve this will 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

Accordingly, in the conduct of planned audits Internal Audit may:

- Carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2019/20 of the Annual Governance and Accountability Return (AGAR)
- Review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- Appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- Review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council complies
- Review the operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned

Subject	Requirements	Comments/Recommendations
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	The council uses the RBS Alpha accounting package which produces reports on an Income and Expenditure basis.
	Cash book kept up to date and regularly verified against bank statement	<p>Cash books are reconciled on a monthly basis and the Town Council is registered for VAT with both Sales and Purchase Ledgers being implemented via the Omega Accounting System.</p> <p><i>Comment: The RFO ensures 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.</i></p>
	Correct arithmetic and balancing	<p>Spot checks were made and found to be in order. The Responsible Financial Officer ensures that the cash book is the focus for the day-to-day accounting and balancing off and reconciliation to the bank statements. Journal entries between cost codes for the period under review were seen and verified.</p> <p><i>Comment: the 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></p>
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	<p>The Standing Orders, as seen on the Town Council's website are dated 28<sup>th</sup> May 2019 and are based on the latest model published by the National Association of Local Councils (2018). 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 town council.</p> <p><i>Comment: Council is aware of the requirement to ensure that the SOs 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></p>

	Evidence that Financial Regulations have been adopted and reviewed regularly	<p>Financial Regulations (FR) as adopted at a meeting of 28<sup>th</sup> May 2019 with further amendments agreed to FR 10.1 and 10.5 at a meeting of 25<sup>th</sup> June 2019. The current Financial Regulations seen, whilst they are annually reviewed and have been adapted to the Town Council to reflect the financial regulations governing how it operates, are those based on the NALC 2016 model.</p> <p><i>Comment: The RFO is aware that to ensure that its FRs incorporate the latest provisions for securing competition and regulating the manner in which tenders are invited it should seek to adopt the latest Model Financial Regulations as produced by NALC. It is noted that Council at its meeting of 9<sup>th</sup> July 2020 will be asked to consider approving and adopting a version based on the latest model thereby ensuring that its FRs are regularly reviewed, fit for purpose, and adhered to.</i></p>
	Sealing of Council's Documents	In accordance with Council's own Standing Orders, at the meeting of 28 <sup>th</sup> May 2019, the Clerk was authorised to sign civil and legal documents for the year 2019-2020.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Council, in accordance with proper practices and with reference to section 151 of the Local Government Act 1972, has appointed a Responsible Financial Officer (RFO) who has responsibility for the financial administration of the authority. The Clerk was confirmed as the Council's RFO for 2019/20 at the meeting of 22 <sup>nd</sup> May 2019.
	Evidence that Financial Regulations have been tailored to the Council	Council is aware of the requirement to ensure that the Financial Regulations are fully tailored to the Town Council by removing the alternative options for a council and in particular removing the square brackets [] as this creates ambiguity.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	<p>A selection of random payments were cross checked against cheque book, cash book, bank statement, invoice and list of cheque payments for approval. All cheque stubs and invoices were initialled. All were found to be recorded/ authorised in accordance with Proper Practices. Such payments form part of the Payment Summary which is submitted to full Council and forms part of the Council's approved minutes.</p> <p>A spot check of items paid via the BACS/Direct Debit system from</p>

		<p>the Council's Accounts were cross checked against cash-book, bank statements and invoices. All were found to be in order.</p> <p><i>Comment: Council continues with the good practice of ensuring, that a schedule of due and retrospective payments which arise on a regular basis of a continuing contract, is submitted to full Council at each meeting and forms part of the Council's minutes.</i></p> <p>At the meeting of 25<sup>th</sup> February 2020, following a recommendation from the Finance And Governance Committee, Council approved a prepaid card using FairFX with a preloaded sum of £200.00</p> <p><i>Comment: during the review of its FRs, council should ensure that any specific control procedures for the use of a pre-paid debit card are incorporated into a usage policy which explains the responsibility of the user employees, the expenses they can incur using the pre-paid card and the necessary supporting documentation and/or approval they need to provide with respect to each expense, are accurately reflected within the Council's own Financial Regulations and Internal Control Statement.</i></p>
	Internet Banking transactions properly recorded/approved	<p>Internet banking is to be operated in accordance with the Council's own FRs with evidence being retained showing which authorised members or the RFO under delegated authority approved the payment. Trail payments were carried out at the end of March 2020 with a control procedure in place and in accordance with FRs.</p> <p><i>Comment: Council is mindful that all payments should be made in accordance with Council's SFO 6.10, and that evidence should be retained showing which members approved the payment.</i></p>
	VAT correctly identified and reclaimed within time limits	<p>VAT is identified in both sales and purchase ledger cash books. Claims were submitted as follows:</p> <p>Quarter 1 in the sum of £4,586.30 settled 18<sup>th</sup> October 2019</p> <p>Quarter 2 in the sum of £14,247.56 settled 18<sup>th</sup> October 2019</p> <p>Quarter 3 in the sum of £6,774.38 settled 7<sup>th</sup> February 2020</p> <p>The year-end position is noted as £2,002.88 as shown on the income and expenditure report under year-end debtors.</p>

		<i>Comment: in accordance with Proper Practices for authorities reporting on an income and expenditure basis the RFO has ensured that the amounts of VAT collected from customers, paid to suppliers, and payable to, or repayable by, HMRC is posted to a Creditor Account which has result in a balance due from HMRC. This balance has been included in the year-end accounts as appropriate.</i>
	Has Council adopted the General Power of Competence and is it being correctly applied?	At its meeting of 28 <sup>th</sup> May 2019, Council confirmed that it fulfilled the criteria under the Localism Act 2011 Section 1-8 with regards to electoral mandate and qualifications of the Clerk to adopt the General Power of Competence and resolved to adopt the power.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	The council has a Public Works Board Loan ( approval of draw-down of loan of £285,000 given on 29 <sup>th</sup> August 2017) with the balance outstanding as at 31 <sup>st</sup> March 2020 as £225,000.00 (as per the notification from United Kingdom Debt Management Office and as declared on the Annual Governance and Accountability Return).  Interest repayments were made twice yearly on 19 <sup>th</sup> September 2019 and 19 <sup>th</sup> March 2020 and totalled £34,381 for the year under review.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	The Risk Assessment Document for the period 1 <sup>st</sup> April 2019 to 31 <sup>st</sup> March 2020 was recommended for approval by the Finance and Governance Committee on 22 <sup>nd</sup> May 2019 with formal approval by the Council at a meeting of 28 <sup>th</sup> May 2019 and comprehensively covers the matters which could possibly prevent a smaller relevant body from functioning.
	Evidence that risks are being identified and managed.	Council has a comprehensive Financial Risk Assessment which identifies the risks associated with ensuring that public finances are adequately protected and managed and has taken steps to mitigate such risks. The documentation of the specific control procedures that have been adopted by the council for payments not only protects the RFO but also fulfils an internal control objective. It is noted that the risk associated with online banking will be added to the Council's Annual Financial Risk Assessment for review in May 2020.

	<p>Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.</p>	<p>The Council's Insurance document with cover provided under a Council Guard Schedule with Royal and Sun Alliance Insurance PLC was reviewed, and the following were verified: Core Cover Public liability cover £10million; Products liability cover is £15million; Employer's liability cover is £10million.</p> <p>Property Damage cover is in place for 39 premises/land as specified on the documents seen. Business All Risks cover is provided within the boundaries of Southwold under generic headings such as: Street Furniture; Playground Equipment and Surfaces; War memorials; Finger Posts; CCTV Equipment, Town Signs and Shelter</p> <p>Fidelity Guarantee currently stands at £2million and, as agreed at the full council Meeting 28<sup>th</sup> May 2019 the insurance covers balances and cash flow and will be monitored to ensure that cover is appropriate as balances increase.</p> <p><i>Comment: Council is mindful of 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.</i></p>
	<p>Evidence that insurance is adequate and has been reviewed on an annual basis</p>	<p>In accordance with Proper Practices, Council has identified its key risks and taken steps to manage them in a way which it can justify to a level which is tolerable by transferring the risk and buying in services from specialist external bodies and taking out insurance. At renewal, Council agreed to enter into a 3 year agreement which expires on 24<sup>th</sup> December 2022.</p>
	<p>Evidence that internal controls are documented and regularly reviewed</p>	<p>With reference to the Accounts and Audit Regulations 2015, Council has understood the requirement to have in place safe and efficient arrangements to safeguard public money. Within the Internal Control Arrangement Statement for the Year 2019-2020, as reviewed and adopted by Full Council in May 2019, Council has reviewed its arrangements to protect public money. The reviews will inform the Town Council's preparation of its annual governance statement and identifies the risks involved with and the potential for improvements to its arrangements to protect</p>

		<p>public money.</p> <p>During the year under review, the Finance and Governance Committee, receive reports, on a quarterly basis, in relation to the control measures in place and whether amendments are required to ensure sufficient safeguards are in place to protect public finances.</p> <p>It is noted that during 2020/2021 Council will introduce specific control procedures for payments by bank transfer or other electronic means to ensure that the risks brought about by the ease and speed of such transactions and the difficulties faced in unravelling them should there be errors are mitigated.</p>
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	<p>In accordance with the Accounts and Audit Regulations 2015, the Town Council reviewed the effectiveness of internal audit at its meeting of 28<sup>th</sup> May 2019 for the year 2019/20, as recommended by the Finance and Governance Committee and agreed that the internal audit plan as proposed by Suffolk Association of Local Councils was efficient and effective. Full Council formally reviewed the scope and effectiveness of its internal audit arrangements and considered that its current arrangements were appropriate for the council at its meeting of 28<sup>th</sup> May 2019.</p> <p><i>Comment: by reviewing internal audit, Council has followed guidance with the Governance and Accountability Guide and has recognised that the internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily which in turn will support and inform the members considering the authority's approval of the annual governance statement.</i></p>
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	Full Council approved, by resolution on 29 <sup>th</sup> January 2019 to approve the Revenue Budget of £148,450 for the year 2019-2020 to be funded by Revenue Income and Reserves. The Capital expenditure was noted to equal capital income at £242,000.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	Council approved by resolution, at the same meeting, to levy a Precept of £120,000 for the year 2019-2020.

	Regular reporting of expenditure and variances from budget	<p>Management accounts on a cumulative basis are reported at each Finance and Governance Committee Meeting. Evidence was seen of budget report to actual with committed expenditure and funds available breakdown. Expenditure breakdown by heading is also provided to the Committee Meetings and discussed. Detailed income and expenditure by account for currently funded projects is also provided. Council continues with its procedures for reporting to the Finance &amp; Governance Committee and ensures that the income report shows income against specific budget headings.</p> <p><i>Comment: Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year:</i></p> <ul style="list-style-type: none"> <li>• <i>decide the form and level of detail of the budget;</i></li> <li>• <i>review the current year budget and spending;</i></li> <li>• <i>determine the cost of spending plans;</i></li> <li>• <i>assess levels of income;</i></li> <li>• <i>bring together spending and income plans;</i></li> <li>• <i>provide for contingencies and consider the need for reserves;</i></li> <li>• <i>approve the budget;</i></li> <li>• <i>confirm the precept or rates and special levies; and</i></li> <li>• <i>review progress against the budget regularly throughout the year.</i></li> </ul>
	Reserves held  General and Earmarked.	<p>For the year ending 31<sup>st</sup> March 2020 Council had General Reserves of £141,038 and Earmarked Reserves of £1,584,657.</p> <p><i>Comment: during the year 2019 /20 Council complied with Financial Regulation 4.2 and ensured that where expenditure was to exceed the amount provided in the revenue budget for that class of expenditure, a virement from reserves into the revenue budget would be made following a resolution of the council, or duly delegated committee.</i></p> <p>Council has reviewed the level of general reserves during the year under review ensuring that it has sufficient reserves and</p>

		<p>contingency sums in order to meet, within reason, any unforeseen items of expense that may occur. It is noted that there are no earmarked reserves for staff costs and that the generally 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. At the current level, council's general reserves are considered to be below this level.</p> <p><b>Recommendation: to ensure that current staffing levels are able to be maintained, Council should consider earmarking funds for staff costs which would include cover for redundancy, long term sickness, etc. It would be prudent for the Council to ensure that it has sufficient reserves to meet any unforeseen expenditure in this area and to ensure that any adopted level is maintained. Council should consider ensuring that it has sufficient General Reserves to finance its day to day operations noting that such funds will be generated from taxation/public levies, and that such reserves should not be excessive. Council should be mindful that changes in activity levels/range of services provided will inevitably lead to changes in the requisite minimum level of General Reserve in order to provide working capital for those activities.</b></p>
<p><b>6. Income controls</b></p>	<p>Is income properly recorded and promptly banked?</p>	<p>A number of items of income were cross checked against receipt, cash book and bank statement. All were found to be in order and in accordance with Proper Practices, the Responsible Financial Officer ensures that the accounting records contain entries from day to day of all sums of money received.</p> <p>Spot checks on further 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>Council's policy is for all tenants to pay their rents via the Banking Automated System direct into the Council's bank account.</p>

		Market traders, not using the automated system, pay monies into the Town Council Office who maintain an efficient system to record these. A receipt is provided for such monies and the Town Clerk ensures the prompt banking of the amounts received.
	Is income reported to full Council?	Income is reported within the Management Account reports that are submitted at each meeting of the Finance and Governance Committee.  <i>Comment: the RFO, in the reporting of income received ensures that Council not only adheres to FR 9.1 &amp; 9.5 with the collection of all sums due to the council, but also fulfils an internal control objective requiring that cash and cheques should be entered into the cash book on the date of receipt and banked promptly and intact (i.e. without any of the cash being kept back for spending).</i>
	Does Council have any debtors? Status of debtors?	The outstanding sales ledger balances for the period ending 31 <sup>st</sup> March 2020 was seen and verified. Trade debtors as at 31 <sup>st</sup> March 2020 stands at £17,052.86 with all other debtors at £20,464.20.  <i>Comment: in accordance with guidance, and essential as part of proper financial management, the Town Council ensures that invoices raised are paid promptly or that appropriate recovery action has been taken. Debt monitoring arrangements are in place to cover all activities of the authority which involve receiving payment. Irrecoverable debts are written off, after full consideration of the possibilities for, and the likely costs of, pursuing the debt. Council is aware that uncollectible amounts, including bad debts, should only be written off with the approval of members, or under delegated authority, by the RFO. The approval along with action taken is shown in the accounting records.</i>
	Does the Precept recorded agree to the Council Tax Authority's notification?	Evidence was provided showing a full audit trail from Precept being discussed, approved and served on the Charging Authority to remittance advices showing the Precept to be paid and receipt of same in the Council's Bank Account.

	<p>If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?</p>	<p>Council's trial balance and associated paperwork show that CIL Receipts in the sum of £20,741.17 have been received during the period under review.</p> <p>In accordance with the 2010 Regulations, the Parish Council having received a proportion of CIL funds has ensured that retained balances are transferred into the Earmarked Reserve specifically allocated.</p> <p>A report for the period ending 31<sup>st</sup> March 2020 detailing expenditure and income received was verified as being published on the Council's website in accordance with the requirements of the legislation.</p> <p><i>Comment: Council has understood the requirements to comply with its duty to produce an annual CIL report for each financial year.</i></p>
<b>7. Petty Cash</b>	<p>Is a petty cash in operation?</p>	<p>A petty cash system is not operated by the Council.</p>
	<p>If so, is there an adequate control system in place.</p>	<p>There is a satisfactory expense system in place and Council ensures that all expense claim forms are accompanied by receipts and that all forms are signed by the claimant and authorised by the Town Clerk.</p>
<b>8. Payroll controls</b>	<p>Do all employees have contracts of employment?</p>	<p>All members of staff have approved contracts.</p>
	<p>Are arrangements in place for authorising of the payroll and payments by the Council?</p> <p>Verifying the process for agreeing rates of pay to be applied.</p>	<p>The council's payroll service is carried out in-house and has been operated properly and overseen by the council as an employer. The council is a member of the Local Government Pension scheme (LGPS). At its meeting of 13<sup>th</sup> June 2019, the Finance and Governance Committee Town Council approved the recommendation that the appropriate scale award, as defined by the NALC Payscales 2019/20 bulletin, be implemented effective 1 April 2019. This was formally approved by full Council at its meeting of 25<sup>th</sup> June 2019. Further amendments were approved to salaries at the Town Council meeting of 13<sup>th</sup> May 2019 to be applied with effect 1<sup>st</sup> April 2019.</p> <p><i>Comment: in accordance with Proper Practices, Council has</i></p>

		<i>ensured that the remuneration payable to all employees has been approved in advance by the Council. There are robust 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 employment legislation and has met its pension obligations.</i>
	Do salary payments include deductions for PAYE/NIC?  Is PAYE/NIC paid promptly to HMRC?	Cross-checks were completed on 6 items each of salary, PAYE and pension contributions and these were all found to be in order. In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs and Suffolk County Council on or before the dates prescribed.  <i>Comment: in accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has been approved in advance by the Council. There are robust 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 employment legislation and has met its pension obligations.</i>
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Both of the Council's employees on its payroll at year-end are members of the Local Government Pension Scheme.  <i>Comment: Council has complied with its duties under employment legislation and has met its pension obligations.</i>
	Are other payments to employees reasonable and approved by the Council?	There is a satisfactory expense system in place and all expense claim forms are standardised; accompanied by receipts and signed by the claimant.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset Register was reviewed during the Internal Audit visit for year-end and reflects those items listed under insurance and within the Town Council's remit for maintenance and ownership. The Asset Register currently stands at £6,863,738 (rounded).  A number of assets have been stated as at the Insurance Value and where assets have been gifted or where there is no known value

		<p>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 were 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>Council is also mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2018 on the valuation of its assets and has ensured that where the insurance value of the asset at the time of first recording is used, that method of valuation has been consistently applied and if/where amended, it will need to publish and provide explanations in changes in value to any previously recorded assets.</p>
	<p>Verifying that the Asset Register is reviewed annually</p>	<p>A review of the asset register along with movement will be formally considered by the Council once it meets to discuss the annual accounts. The asset Register shows movement through the year and accurately includes all capital acquisitions and disposal transactions as recorded in the council's cashbook for the year under review.</p> <p>Council, in accordance with the Transparency Code has uploaded onto the website lists of all freehold/leasehold properties held by the Council.</p>
	<p>Cross checking of Insurance cover</p>	<p>In accordance with Proper Practices, Council has identified its key risks and taken steps to manage them in a way which it can justify to a level which is tolerable by transferring the risk and buying in services from specialist external bodies and taking out insurance. All risk cover is shown for a number of items within the Council's ownership or responsibility.</p>

<p><b>10. Bank reconciliation</b></p>	<p>Regularly completed and reconciled with cash book</p>	<p>Bank reconciliations are completed on a monthly basis and reconcile to the cashbook.</p> <p><i>Comment: 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 which aids decision-making, particularly when there are competing priorities. The year-end bank reconciliation provides evidence to support the total cash and short-term investments balance as shown in Box 8 of the Annual Governance and Accountability Guide.</i></p> <p>Bank balances agreed with year-end statements and as at 31<sup>st</sup> March 2020 stand at: overall £1,778,515.47  Business Bank Account: £524,579.46  o/s cheques 1353.73  Business Instant Account: £895,013.56  32 Day Notice Account £60,276.18  Public Sector Deposit Fund £300,000.00</p> <p>To minimise the Council’s exposure to risk, in June 2019, delegated authority was given to the Finance and Governance Committee to spread up to a maximum of £800k balances across other accounts and bonds. It was reported to the Finance and Governance Committee at its meeting in March 2020, that the CCLA Public Sector Deposit Fund had been opened with an initial investment of £300,000.00. Further investments would be made, if appropriate. Once considered against other accounts/ bonds.</p> <p><i>Comment: Council has sought to diversify its reserves between highly rated UK banks and building societies with the objective of prudently investing some of its balances and has ensured that it uses only specified investments as defined by DCLG guidance and is aware that such investments should have regard to security of reserves and liquidity of investments. It has taken into account the guidance as per Proper Practices on the treatment of investments which states that it is unusual for an authority to hold its reserves</i></p>
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		<p><i>other than in the form of easily accessible bank deposits or other short-term investments.</i></p> <p>At the meeting of 8<sup>th</sup> July 2019, the Finance and Governance Committee approved a Banking and Investment Policy against which all investments were to be made.</p> <p><i>Comment: Council has followed statutory guidance on investments issued by the Secretary of State under section 15(1)(9) of the LGA 2003 (3rd edition) which states that all councils that have investments in excess of £100,000 should have in place an investment strategy.</i></p> <p><i>Comment: Council might, at its next review of its Financial Regulations, wish to review FR5.5 to ensure that the fund transfers within the councils banking arrangement reflect the limit to be authorised thereby ensuring that Council is acting within the limits of its own FRs. Such authorisation should be reported at the next appropriate meeting of the Finance and Governance Committee.</i></p>
	Confirm bank balances agree with bank statements	<p>In accordance with Proper Practices, bank reconciliations are performed on a regular basis and cover each of the smaller authority's accounts. Council has ensured that by reconciling the council's accounts to the bank statement it has limited the council's exposure to errors, omissions or discrepancies in either the bank records or the cash books.</p>
	Regular reporting of bank balances at council meetings	<p>Overall there is regular reporting of bank balances within the financial reports submitted to the Finance and Governance Committee and to full Council. Detailed Balances Sheets along with Detailed Profit and Loss Account Reports are also submitted to full Council and form part of the minutes.</p> <p><i>Comment: Council has followed good practice by ensuring that the reconciliation of the cash book to bank statements is reported to members, and the full reconciliation made available for their scrutiny each time it is done. Approval of the bank reconciliation by the authority or the chair of finance or another authority nominee</i></p>

		<i>is not only good practice, but it is also a safeguard for the RFO and may fulfil one of the authority's internal control objectives.</i>
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Accounts are produced on an income and expenditure basis. All were found to be in order. Council has ensured that its records detail the assets and liabilities of the authority including the asset and investment register and record of loans and other debts.
	Financial trail from records to presented accounts	<p>There is an underlying financial trail from financial records to the accounts produced. Where appropriate debtors and creditors have been properly recorded.</p> <p>Year-end balances agree with cash book and bank reconciliations:  Total Debtors: £39,520.24  Total Creditors: £92,340.53  Total Reserves: £1,725,695.18</p> <p>Funded by:  Current Bank Account: £523,225.73  Business Bank Account: £895,013.56  Deposit Accounts: £60,276.18  Public Sector Deposit Fund: £300,000.00</p>
	Has the appropriate end of year AGAR documents been completed?	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. It is noted that given its level of income, the Council meets the requirement for an intermediate level review.
	Where an authority certified itself exempt in 2018/19, did it meet the exemption criteria and correctly declared itself exempt?	As the Council was a smaller authority with gross income and expenditure exceeding £25,000 during the year 2018/19, it was not able to certify itself as an exempt authority.
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations?	The Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31 <sup>st</sup> March 2019 were published on the public accessible website.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure not exceeding £25,000 and published the

		<p>following for the year 2018/19 on a public website:  Annual Internal Audit Report of the AGAR  Section 1 – Annual Governance Statement of the AGAR  Section 2 – Accounting Statements of the AGAR  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>
	The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020	<p>Owing to the increasing impact of COVID19 MHCLG has made amended Regulations which extend the statutory audit deadlines for 2019-20 only for all Category 2 smaller authorities (town and parish councils, parish meetings, internal drainage boards and other authorities).</p> <ul style="list-style-type: none"> <li>• The requirement for the public inspection period to include the first 10 working days of July has been removed</li> <li>• Instead, smaller authorities must commence the public inspection period on or before 1 September 2020. Authorities are urged to commence this period as soon as possible</li> <li>• The AGAR must be approved and published by 31 August 2020 at the latest or may be approved earlier, wherever possible.</li> </ul> <p>This means that for 2019-2020, the period for the exercise of public rights can now be held at any time after the approval of the accounts and AGAR provided it is commenced by 1<sup>st</sup> September at the latest.</p>
<b>12. Internal audit for the year ending 31 March 2019</b>	Verifying that the previous internal audit reports have been considered by the Council	<p>The Internal Auditor's Report for the period ending 31<sup>st</sup> March was considered and accepted at a meeting of the Full Council of 28<sup>th</sup> May 2019 as recommended by the Finance and Governance Committee at its meeting of 25<sup>th</sup> April 2019.</p> <p><i>Comment: in accordance with Proper Practices, the Council has considered the report submitted by the Internal Auditor, approving the recommendations noting within the report. By the consideration of the audit report, Council will be able to make informed decisions when considering the authority's approval of</i></p>

		<i>the annual governance statement.</i>
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The following recommendations from the internal audit report was noted by Full Council at the above meeting and would be implemented by the Chair of the Finance and Governance Committee: 1. Chair of the Finance and Governance to formally sign of the bank reconciliation
	Confirmation of appointment of Internal Auditor	SALC was appointed to act as the Parish Council's Internal Auditor at a meeting of full Council of 28 <sup>th</sup> May 2018.
<b>13.External audit for the year ending 31 March 2019</b>	Verifying that the external audit report has been considered by the Council	The Limited Assurance Review for the period ending 31 <sup>st</sup> March 2019 was presented to full Council at its meeting of 24 <sup>th</sup> September 2019. Council accepted the and approved the External Auditor's signed Annual Return and Certificate.  <i>Comment: in accordance with Regulation 20 of the Accounts and Audit Regulations 2015, following the completion of an audit, full Council received and considered the audit letter from the local auditor as soon as reasonably practicable.</i>
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	There were no matters which had come to the external auditor's attention giving cause for concerns that relevant legislation and regulatory requirements had not been met.
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	The Annual Meeting of the Council was held on 13 <sup>th</sup> May 2019 with the first item on the agenda being the election of the town mayor in accordance with the Local Government Act of 1972 15(1).
	Minutes	Council might wish to note that some of the minutes that have been approved, signed and uploaded onto the website are still headed up DRAFT.
	Review of Council's Policies	Council has a schedule to ensure that all policies are reviewed on an annual basis and brought before the relevant committee for recommendations and amendments in line with Terms of Reference as produced by the Council.
	Correct identification of trustee responsibilities	Council has no sole trustee responsibilities.
	Verification that the applicable Transparency Code has been	Council has taken steps to demonstrate that it is ensuring

	correctly applied and information is published in accordance with current legislation	compliance with the minimum datasets that should be published as per the requirements as set out in the Local Government Transparency Code (2015). These include: the quarterly reporting of spending transactions valued over £500; quarterly publication of transactions carried out using a government procurement card; quarterly publication of details of every invitation to tender for contracts to provide goods and/or services with a value that exceeds £5,000; quarterly publication of details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000; annual reporting of organisational charts, annual reporting of all grants made to voluntary, community and social enterprise organisations; the location of public land and assets and details of number of employees whose remuneration is over £50K and job title.
	Verifying that the council is registered with the ICO	The Council is registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation. Certificate ZA247360 refers.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements	<p>Council has considered the main concepts and principles of the GDPR which came into force in May 2018 and has taken steps to follow the comments outlined in the Annual Audit Report for the year ending 31<sup>st</sup> March 2019 to ensure compliance.</p> <p><i>Comment: Council is ensuring that the suite of policies that provides clear responsibilities and obligations of the Town Council in respect of the collecting, using and protecting of personal information in accordance with the provisions of the GDPR are reviewed on an annual basis to ensure that they are not only compliant with GDPR but are also compliant with The Data Protection Act 2018 Act which not only governs general data covered by the GDPR, but also covers all other general data as well as law enforcement data.</i></p>
	Town Council Strategy Plan 2019-2023	Full Council at its meeting of 26 <sup>th</sup> November 2019 adopted the updated Town Council Strategy Plan which outlines the direction and strategy for the Town Council over a four year period. The business plan provides an understanding of what the Town Council

		<p>is trying to achieve and how it intends to deliver it. Prior to actions being undertaken in relation to its strategies and direction, Council has agreed that each will be assessed for suitability, feasibility, acceptability and risk. The Council further agreed that it would review progress of the strategy and tactics on a three monthly basis commencing January/February 2020. Prior to year-end, processes were in place for the Council to commence a programme that would monitor the Project Plan Timescales for the Enterprise Hub and CCF Grant; review and consider the alternative plan for the re-development of Station Yard; work with the ESC Business Development Team for the benefit of local business and finalise the recruitment of a Town Development/Enterprise Manager. It is noted that all of the aforementioned activities will continue in 2020-2021.</p>
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Signed: *V S Waples*

**Date of Internal Audit Visit: 26.05.2020**

**Date of Internal Audit Report: 26.05.2020**

**On behalf of Suffolk Association of Local Councils**