

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Saxmundham Town Council
Income:	£245,694
Expenditure:	£201,351
Precept Figure:	£207,497.36
General Reserve:	£90,032
Earmarked Reserves:	£56,076

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
1. Proper Book-keeping	Type of cash book or ledger used	The Council uses income and expenditure basis for accounting.
	Cash book kept up to date and regularly verified against bank statement	The council uses the RBS Alpha accounting package. The cash book is reconciled on a monthly basis.
	Correct arithmetic and balancing	No errors were found in the sample payments tested.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	The current Standing Orders were amended and re-adopted on 12/11/18. Council agreed to a review of the Standing Orders to take place in September 2019, at the Annual meeting held 13/5/19. No evidence that this review took place has been found. Recommendation: That Standing Orders be reviewed and adopted in the year 2020/21 and reviewed annually.
	Conduct of Councillors is in accordance with the Model Code of Conduct	Councillors declare interests at the beginning of meetings. Recommendation: When preparing the minute of the declaration of interest, the Clerk should refer to the minute reference number relevant to the item rather than the agenda item number, as these numbers do not feature in the minutes. Example 9/3/20 item 5656.02, Cllr Smith declared an interest in 'item 9' regarding his membership of SADCIC. It is not possible to see what item in the minutes this refers to.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Yes: Amendments to the Finance Regulations were discussed by the Resources Committee on 2/3/20 and adopted by the Full council 9/3/20
	Evidence that a Responsible Financial Officer has been appointed with specific duties	Yes: The Interim Clerk was appointed RFO on 9/3/20.
	Evidence that Financial Regulations have been tailored to the Council	Yes, reference to STC committees was seen.

3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	10 payments were cross checked against cheque book, cash book, bank statement, invoice and payment list. The required approvals were not always present. The recommendation from last year stands. In particular, there is no reason why invoices paid by direct debits cannot be initialled by Councillors after purchase, to indicate they have seen and approved the purchase.
	Internet Banking transactions properly recorded/approved	This has very recently been introduced (31/3/20) and the necessary systems approval has not been adopted by the Council due to limitations under coronavirus lockdown.
	VAT correctly identified and reclaimed within time limits	Yes: VAT is identified in the cash book and purchase ledger. VAT Returns are submitted electronically. Reclaims were submitted 6/4/19, 16/7/19, 1/11/19, 21/1/20 and 8/4/20
	Has Council adopted the General Power of Competence and is it being correctly applied?	The Council is not eligible to use this power
	S137 separately recorded, minuted and within statutory limits	Yes: The Interim Clerk has put this in place.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Yes: PWLB loan of £190,000 was drawn down as approved by resolution on 23/5/15. This was for the purchase of the Police Station for community use, the Town Council now occupies this building. £109,850.80 remained outstanding at 31/3/20
4. Risk Management	Is there evidence of risk assessment documentation?	Yes: The document "Saxmundham TC Assessment of Management Risks" was reviewed by the Resource Committee and submitted to full council, and was adopted 9/3/20
	Evidence that risks are being identified and managed.	Yes: Minute 5664.01d reports that the reviewed and updated Assessment of Management of Risks 2020 was adopted on 9/3/2020. The RoSPA report was considered at the Resources Committee on 6/1/20 and recommendations implemented. Similarly action on tree works was taken at the same meeting.

	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Employers Liability = £10m Public Liability = £15m Fidelity Guarantee Insurance = £250,000
	Evidence that insurance is adequate and has been reviewed on an annual basis	Not seen Recommendation: The insurances must be approved by the Full Council as adequate – this wasn't seen in the minutes
	Evidence that internal controls are documented and regularly reviewed	Not Seen A specification for the internal audit and its objectives was provided in 2019, this does not appear yet to have been adopted. See FR 2.4 Recommendation: This review <u>must</u> be carried out before approving the 2019/20 Annual Governance Statement. A template has been provided.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	See FR 2.6 Minute 5406.01 records the matter was discussed at full council on 13/5/19. The request by the chair for a written report is appropriate to ensure that this is formally reviewed is sensible – a template has been provided.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The Draft budget for 2019/20 was considered at the meeting held 10/12/18, including full discussion on the outturn of 2018/19. It was approved on 14/1/19 The Council approved the process for setting the budget and precept at its meeting held 9/09/19 minute 5459.04. The draft budget for 2020/21 was approved at the meeting held 13/01/20 following a review of the rationale behind it.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The precept for 2019/20 was first discussed on 10/12/18 and approved on 14/1/19 The minutes of the meeting held 13/01/20 state the precept for 2020/21 of £224,500 was approved after having been “discussed thoroughly”. The implications for Band D council tax was not minuted.

	Regular reporting of expenditure and variances from budget	Bank reconciliations are presented on a regular basis to the Council, either directly or in a report from the Resources Committee. In accordance with good practice, a Councillor who is not a signatory verifies that the cash book reconciliation and the original bank statement agree, and signs the bank statement accordingly.
	Reserves held General and Earmarked.	The council noted and agreed a draft reserves policy statement on 14/10/19 General reserves as at 31/3/20 = £90,032 Earmarked reserves as at 31/3/20 = £56,076
6. Income controls	Is income properly recorded and promptly banked?	Yes
	Is income reported to full Council?	Income is reported to the Resources Committee.
	Does the Precept recorded agree to the Council Tax Authority's notification?	Yes: The Precept demand was served 15/01/19, for £207,497.36. The first half-year tranche of £103,748.68 was received 30/04/19. The second tranche of £103,748.68 was received 27/09/19. Total received = £207,497.36
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	On 9/12/19 the resources committee report to full council minute 5607.05 set out the council's policy in respect to CIL
	<ul style="list-style-type: none"> • Is CIL income reported to Council? 	Yes
	<ul style="list-style-type: none"> • Does unspent CIL income form part of Earmarked reserves? 	Yes
	<ul style="list-style-type: none"> • Has an annual report been produced • Has it been published on the authority's website 	Yes The interim Clerk has undertaken to do this.
7. Petty Cash	Is a petty cash in operation?	£49.50 petty cash is held. The petty cash tin was checked against receipts and the petty cash book. £37.42 in cash and £12.08 in receipts was found to be present.
	If so, is there an adequate control system in place.	Yes – record book and imprest.

8. Payroll controls	Do all employees have contracts of employment?	Yes, however, the Interim Clerk is a self-employed contractor: It was originally agreed that an interim clerk be appointed for 3 months, however the coronavirus lockdown has necessitated the continuation of the contract.
	Are arrangements in place for authorising of the payroll and payments by the Council? Verifying the process for agreeing rates of pay to be applied.	Payroll records were checked for staff x1 in the year and found to be in good order. HMRC and Pensions Payments to LGPS were checked against bank and payroll and found to match. The Council approved adoption of the NALC pay scales for 2019/20 on 8/04/19
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	Yes Yes, by cheque
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	The Council is with the Suffolk LGPS
	Are other payments to employees reasonable and approved by the Council?	N/A
	9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises
	Verifying that the Asset Register is reviewed annually	Not seen (see above) this was a recommendation from last year. It is not possible for Internal control objective H to be signed in the affirmative as it has now been 2 years running the Asset register was not reviewed. It is appreciated that this is being addressed now.

	Cross checking of Insurance cover	Recommendation: Having two columns in an asset register, marked clearly as 'asset value on acquisition' and 'insurance valuation' assists councils in ensuring that their insurance are adequate.
10.Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are completed monthly and reported to Council on a regular basis. All were found to be in order.
	Confirm bank balances agree with bank statements	Yes, Bank and cash reconciliation agree with bank statements: 02/4/20 – Barclays 'In Bloom' 2825: £889.53 31/3/20 – Barclays STC: 5653: £147,792.48 31/3/20 – Barclays 'Market Hall Charity' 7433: £8682.48
	Regular reporting of bank balances at council meetings	yes
11.Year-end procedures	Appropriate accounting procedures used	Yes
	Financial trail from records to presented accounts	Yes
	Has the appropriate end of year AGAR documents been completed?	Part 3 selected, but not at the time of audit
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	N/A
	Was there the opportunity provided for the exercise of electors' rights?	The notice was seen dated 14/6/19
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The information is on the Town Council website, under 'Financial Reports'

12.Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The previous report was considered by the Council on 8/07/19 and the action points noted.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	
	Recommendation: The current [payment authorisation] processes appear too complicated to administer effectively. In reviewing the FR, the Council should assist the Clerk in producing a simple flowchart mapping a process for a proportionate authorisation regime that safeguards public funds without generating unnecessary work.	NO: A simple system whereby a clear audit trail enables tracing of transactions from authorisation of purchase through to authorisation of payment and entry into the cashbook is required.
	Recommendation: The insurances must be approved by the Full Council as adequate – this wasn't seen in the minutes	NO: This was not seen in the minutes
	Recommendation: The [review of internal controls] must be approved by the Council – this wasn't seen in the minutes	Scheduled for the next meeting of the Council - a template has been provided
	Recommendation – the effectiveness of internal audit must be minuted as having been carried out annually.	Scheduled for the next meeting of the Council - a template has been provided.
Recommendation: Ensure that annual items [such as asset register] are scheduled for review within each financial year, such as at the Annual Meeting	The Interim Clerk is addressing the systems within the Council, I am confident therefore that these issues can be easily resolved.	
Confirmation of appointment of Internal Auditor	SALC appointed at the Annual meeting 13/5/2019	

13.External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	Discussed at 5455.01 on 9/09/19, noting an unqualified audit.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	There were no matters raised by the External Auditor
14. Additional Comments	Annual meeting - held in accordance with legislation	The annual meeting of the Town Council was held on the 13 th May 2019. All newly-elected councillors had signed their declarations of office before the meeting. The election of Chairman was the first item on the agenda.
	Correct identification of trustee responsibilities	Councillors are aware of their responsibility in relation to the Market Hall
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The website is in desperate need of the planned upgrade, which will make navigation easier, but information is on the website
	Verifying that the council is registered with the ICO	ZA084593 to 9/11/2020
	Has the authority considered if any events that occurred during the financial year (or after the year-end), have consequences, or potential consequences, on the authority's finances.	The Council held an EGM on 20/3/2020 to make arrangements for the Coronavirus emergency, including delegated authority on finance. Note: Delegated powers to an officer can be exercised in consultation with 2 councillors, but final decision must rest with the RFO/Clerk. In actuality, the RFO has not needed to use delegated powers as the council are meeting electronically.
	Verifying that the Council is compliant with the General Data Protection Regulation requirements Are the following in place: • Audit / Impact Assessment	A privacy statement are on the Council website. On file

	<ul style="list-style-type: none"> • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	<p>Yes, on website Yes, on website On file On file</p> <p>Recommendation: These policies should be adopted by the current Council.</p>
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Thank you Karen for your assistance in completing this report under difficult conditions, and providing the information whilst maintaining social distancing

Signed 

Date of Internal Audit Visit: 14th May 2020 Date of Internal Audit Report: 14th May 2020

On behalf of Suffolk Association of Local Councils