

Internal Audit Report for Saxmundham Town Council for the year ending March 31st 2021

Clerk	Roz Barnett
RFO (if different)	Karen Forster was RFO from 23/03/2020 (min 19/06). From November 2020 Roz Barnett was appointed RFO from 09/11/2020.
Chairperson	Cllr J Smith
Precept	£224,500
Income	£47,304
Expenditure	£239,736
General reserves	£101,715
Earmarked reserves	£72,232
Audit type	Year End
Auditor name	Colin Poole on behalf of SALC

Introduction

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

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

- the effectiveness of operations

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

Methodology

When conducting the audit, the internal auditor may:

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

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The Council uses income and expenditure basis for accounting.
<i>Is the cash book up to date and regularly verified?</i>	Yes	The council uses the RBS Omega accounting package. The cash book is reconciled on a monthly basis.
<i>Is the arithmetic correct?</i>	Yes	No errors were found in the sample payments tested.
Additional comments:		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC’S latest model which include legislative changes.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	Council adopted Standing Orders in June 2020
Are Financial Regulations up to date and reviewed annually?	Yes	Council adopted Finance Regulations in June 2020 and approved minor amendments to them in October 2020 (min 065/20TC)
Has the Council properly tailored the Financial Regulations?	Yes	
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	It forms part of the Clerk’s contract
Additional comments:		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls

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

Evidence		Internal auditor commentary
Is there supporting paperwork for payments with appropriate authorisation?	Yes	Payment documentation are stamped and councillors initial them to confirm sight of the documents.
Where applicable, are internet banking transactions properly recorded and approved?	Yes	Online bill payment system is used, with Councillors signing a list of payments to be made
Is VAT correctly identified, recorded and claimed within time limits?	Yes	Q1 = £6,092.94 banked 07/07/20 Q2 = £5,486.41 banked 09/10/20 Q3 = £5,546.80 banked 12/02/21 Q4 = £6,833.72 banked 14/04/22
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	The Council is not eligible to use this power
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	SLGA1972 s137 was used for a Remembrance Day wreath. S138b can be used for Remembrance Day only, s137 for wreaths on other occasions.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	Yes	PW504085 £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. £90,891.73 remained outstanding at 31/3/21
Additional comments:		

² Localism Act

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

Section 4 – Risk management		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	The council reviewed the report on the risk register at the meeting held 08/03/2021 (min 147/20TC.a) The document <i>Assessment of management of risks</i> was seen.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	At the meeting 13/07/2020 the council approved distributing funds not to exceed £85,000 in bank accounts, to ensure protection of funds by the FCA.
<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>	Yes	The council reviewed the insurances at the meeting held 08/03/2021 (min 147/20TC.c) EL = £10m PL = £15m FG = £0.5m, which is sufficient to cover the potential risks
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	1 st June 2020 (min 08/20TC) the Town Council accepted the internal controls review report. The resources committee considered the 2021/22 internal control statement on 26/04/2021 (min 94/20R.c)
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i>	No	Not seen Recommendation: The internal audit, as well as being received by the council and any issues it raises are addressed, then itself needs to be reviewed as to whether it met the Council's expectations in terms of effectiveness, and the specification for the audit needs to then be updated accordingly.
Additional comments:		

⁴ Accounts and Audit Regulations

⁵ Governance and Accountability Guide

Section 5 – Budgetary controls		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	<i>Part met</i>	<p>The 2020/21 budget of £225,650 was approved on 13/01/2020 (min 5627.05). The minutes demonstrate preparation and forethought went into the calculations.</p> <p>For 2021/22 the council discussed a budget action plan in September 2020, asking for proposals for projects for consideration (min 042/20TC) demonstrating good practice.</p> <p>A meeting to consider a 3-year action plan for the council was considered at the meeting held 09/11/2020 (min 083/20TC) further demonstrating good practice.</p> <p>The draft budget was considered at the meeting held 14/12/2020, but no figures were included in the minutes.</p> <p>The meeting held 18/01/2021 approved a budget (min 114/20TC.a) but the amount was not reported in the minutes, nor were the referenced appendices present. It is therefore not possible to verify what budget was approved.</p> <p>Recommendation: the actual budget approved should be written in the minutes, to avoid any doubt or challenge over what was approved.</p>
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	<p>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.</p> <p>The meeting held 18/01/2021 approved a precept of £222, 999.56 (min 114/20TC.b)</p>
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Each meeting of the council receives a finance report including verification from a councillor as to performance.
<i>Reserves held – general and earmarked⁶</i>	Yes	The reserves policy was adopted 13/07/2020 (min 22/20TC). Reserves were further reviewed on 08/02/2021 (min 131/20TC)
Additional comments:		

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

Section 6 – income controls		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this.		
Evidence		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	Yes	
<i>Is income reported to full council?</i>	Yes	Within the finance reports including reporting precept
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	£112,250 banked 01/05/20 and £112,250 on 30/09/20
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	CIL reserve currently stands at £47,695.95
<i>Is CIL income reported to the council?</i>	Yes	Via the report to the Resources Committee
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	
<i>Has an annual report been produced?</i>	Yes	
<i>Has it been published on the authority's website?</i>	Yes	The report to March 2021 was found on the website.
Additional comments:		

⁷ Community Infrastructure Levy Regulations 2010

Section 7 – petty cash		
The Internal Auditor will seek evidence that the Council has followed its own policies, procedures and verification processes and that these are up to date.		
Evidence		Internal auditor commentary
<i>Is petty cash in operation?</i>	<i>No</i>	The previous (locum) Clerk closed the petty cash system and returned funds to the main bank account.
<i>If appropriate, is there an adequate control system in place?</i>	<i>N/A</i>	
Additional comments:		

Section 8 – Payroll controls		
The Internal Auditor will check salaries are approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 1 st 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.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	2	Resources committee approved use of model contract for the Assistant Clerk 26/10/20 (min 63/20R) e.g resources committee 01/09/2020 (min 45/20R)
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	N/A	
<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	Resources Committee reviews this
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	Payments to NEST are made monthly
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	
Additional comments:		

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

Section 9 – Asset control		
The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	Yes	The asset Register has been reviewed by the new clerk and approved for recommendation to Council by the resources committee 24/05/2021
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	Yes	
<i>Are records of deeds, articles, land registry title number available?</i>	No	This is work in progress for the Clerk
<i>Is the asset register up to date and reviewed annually?</i>	Yes	
<i>Cross checking of insurance cover</i>	Yes	The insurance cover is at or slightly above the insurance value on the asset register
Additional comments:		

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

Section 10 – bank reconciliation		
The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
Evidence		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	
<i>Do bank balances agree with bank statements?</i>	Yes	Barclays 'In Bloom' 2825: £889.53 closed 27/04/2020 transferred to 5653 30/03/21 – Barclays STC: 5653: £114,715.54 31/12/20 – Cambridge BS 4371: 60,024.59 Banked funds as at 31/03/21: £174,740.13 30/03/21 – Barclays 'Market Hall Charity' 7433: £3,739.86 Total banked funds under council control £178,479.99
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank statements were found initialled by Councillors.

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Income and expenditure basis
<i>Financial trail from records to presented accounts</i>	Yes	
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	N/A	In the process of being completed at the point of audit
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	N/A	
<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 notice that was physically displayed was found. The notice was also on the website
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	The AGAR and external auditor's report were found on the website
Additional comments:		

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

Section 12 – internal audit		
The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the previous internal audit report been considered by the Council?</i>	Yes	This was considered at the meeting held 01/06/2020 (min 09/20TC.b)
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	That Standing Orders be reviewed and adopted in the year 2020/21 and reviewed annually. This has been done.
	Yes	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. Demonstrated 08/02/2021 (min 124/20TC)
	Yes	The insurances must be approved by the Full Council as adequate At the meeting held 08/03/2021
	Yes	The review of internal controls <u>must</u> be carried out before approving the 2019/20 Annual Governance Statement. The meeting held 01/06/2020 reviewed the internal controls and considered the impact of coronavirus on the council before signing the Annual Governance Statement, in accordance with best practice (min09/20TC.a)
	Yes	Review of the asset register to bring it in line with proper practice. At the resources committee meeting held 24/05/2021
	Yes	Policies should be reviewed and adopted by the current Council. Grants and Donations Policy was adopted 14/09/2020 (min 045/20TC) The Disciplinary, Grievance, and Equality & Diversity Policies were adopted 09/11/2020 (min 082/20TC)
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	The appointment of the internal auditor for 2021/22 was made at the meeting held 24/05/2021
Additional comments:		

Section 13 – external audit for the period under review		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be taken into account.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the previous external audit report been considered by the Council?¹²</i>	Yes	The external audit was noted at the meeting held 12/10/2021 (min 064/20TC.c. it was further noted that it had been displayed on the notice board and website.
<i>Has appropriate action been taken regarding the comments raised?</i>	Yes	The matters raised in relation to the asset register has been dealt with. Other matters were incidental errors in completion which can easily be avoided in future.
Additional comments:		

¹² Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (ie. 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.*

Section 14 – additional information		
The internal auditor will look for some additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³ <i>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)</i> ^{f14}	Yes	The meeting (styled as the ‘AGM’) was held 01/06/2020 by videoconference.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵	Yes	
<i>Is there a list of members’ interests held?</i>	Yes	A link is on the new website to the register held by the district. Recommendation: Councillors should review their registers annually to ensure they are correct and up to date.
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	Yes	The Market Hall, Saxmundham, Charity No 235072.
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>	Yes	Seen on the website
<i>Has the Council registered with the Information Commissioner’s Office (ICO)?</i> ¹⁶	Yes	ZA084593 renewed by direct debit 9/10/20
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	No	The council is working on a new website, which is not yet fully functional, but has an (inactive) link to a privacy statement
<i>Has the Council published a website accessibility statement on their website in line with Regulations?</i> ¹⁷	No	The council is working on a new website, which is not yet fully functional, but has an (inactive) link to an access statement

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

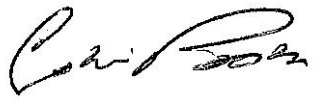
¹⁴ The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

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

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018

<i>Is there evidence that electronic files are backed up?</i>	Yes	Cloud backup system is in place
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	Yes	The meeting held 01/06/2020 reviewed these (min 05/20TC)
Additional comments:		

Signed: 

Date of Internal Audit Visit: 27/05/2021 Date of Internal Audit Report: 27/05/2021

On behalf of Suffolk Association of Local Councils