

Internal Audit Report for for the period ending 31 March 2023

Clerk	Ciaran Griffin
RFO (if different)	Mrs Linda Kitching from 12 th April 2022, then Ms Debbie Deeks from 14/06/22 until 28/02/23 and Anne Walker from 14/03/23.
Chairperson	Mayor Cllr Jan Osborne
Precept	2022/23 = £734,000
Actual Income	2022/23 = £379,552
Actual Expenditure	2022/23 = £994,083
General reserves	£554,518 as at 31/03/23
Earmarked reserves	£520,443 as at 31/03/23
Audit type	Year End
Auditor name	Colin Poole

Introduction

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

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

- the effectiveness of operations

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

Methodology

When conducting the audit, the internal auditor may:

- conduct a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2022/23 of the Annual Governance and Accountability Return (AGAR)
- review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- review the established systems to ensure compliance with those policies, procedures, laws, and regulations which could have a significant impact on operations, and determine whether the council complies
- review the operations and activities to ascertain whether results are consistent with objectives and whether they are being conducted as planned

Section 1 – proper bookkeeping		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The Council uses income and expenditure basis for accounting.
<i>Is the cash book up to date and regularly verified?</i>	Yes	The council uses a Rialtas 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 conducted its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC'S latest model which include legislative changes.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	Council adopted revised Standing Orders at the meeting held 08/11/22 (min 11)
Are Financial Regulations up to date and reviewed annually?	Yes	Council adopted Finance Regulations at the meeting held 08/11/22 (min 11)
Has the Council properly tailored the Financial Regulations?	Yes	
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	Miss Anne Walker was appointed RFO at the council meeting held 14/03/23 (min 9)
<i>Additional comments:</i>		

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	A random selection of payments were checked. All documentation was in order, with authorisations attached to them to confirm approvals
Where applicable, are internet banking transactions properly recorded and approved?	Yes	A very clear process of seeking authorisation for internet payments is in place, with a printed record of emailed authorisations from councillors attached to the original invoice and a back sheet recording the administrative processing.
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	Q1 = £9,340.13 banked 04/08/22 Q2 = £7,582.36 banked 26/10/22 Q3 = £10,008.34 banked 24/01/23 Q4 = £16,488.41 submitted 02/05/23
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	Yes	
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	Yes	PW494354 £309,601.63 for the land at the rear of the town hall. Sum outstanding 31/03/23
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 £8.82 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 Finance Committee reviewed the risk register at the meeting held 07/03/23 (min 17)
<i>Is there evidence that risks are being identified and managed?</i>	Yes	<p>The Council adopted a Treasury Management Investment Strategy on 12/04/22. This protects public funds by considering suitable investments to balance maximising interest and minimising risk.</p> <p>At the meeting held 9/9/22 the Finance Committee appointed Members to carry out ‘Internal control checks’ twice a year (min 11) when non-signatory councillors can review all aspects of financial control. This is very good practice.</p> <p>The council adopted the LGA model Code of Conduct at the meeting held 14/06/22 (min 16). Observing good conduct reduces the risk of poor decision-making. <i>The Suffolk Code is now considered inadequate.</i></p> <p>The council adopted a Risk Management Strategy at the meeting held 14/03/23.</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>	Yes	<p>The council reviewed the insurances at the meeting held 27/03/2023 (min 6)</p> <p>EL = £10m PL = £10m FG = £1m</p>

<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	The town council approved the internal control statement on 12/04/22 (min 12) and again on 10/05/22 (min14a)
<i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including consideration of the independence and competence of the internal auditor prior to their appointment⁵</i>	Yes	The Clerk advised this was done by the Finance Committee on 07/03/23 at the time of agreeing to recommend the re-appointment of SALC as the auditor (min13). Recommendation: <i>The minutes need to record that the review has taken place.</i>
Additional comments:		

⁴ Accounts and Audit Regulations

⁵ Practitioners Guide

Section 5 – Budgetary controls		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	<p>For 2022/23 the budget was considered by the Finance Committee held 04/01/22 and agreed to recommend it to the Council..</p> <p>A budget was adopted at the meeting held 11/01/22 (min 8). The proposed income and expenditure formed part of the minutes and were signed by the Chair as a true record of what was discussed.</p> <p>Income: £214,933.75 Expenditure: £1,002,302.64 Precept: £734,000</p> <p>The balance to come from general reserves.</p> <p>For 2023/24 The Finance Committee considered the proposed budget at their meeting on 3rd January and recommended it to full council. The budget was approved at the meeting held 10th January 2023.</p>
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	<p>The meeting held 11/01/22 approved a precept of £734,000, setting out that this resulted in a 2.96% increase for a band D property, to £165.40. This was correctly noted in the minutes in accordance with good practice.</p> <p>A precept of £785,000 for 2023/24 was approved at the meeting held 10/01/23, noting the 4.99% increase for a Band D property.</p>
<i>Regular reporting of expenditure and variances from budget</i>	Yes	<p>Each meeting of the council receives the minutes of the Finance Committee and a finance report from the Chair, plus any matters recommended for consideration.</p>

<i>Reserves held – general and earmarked⁶</i>	Yes	General Reserves = £554,518 which represents just over 8 months' net expenditure. Earmarked Reserves = £520,443.
<i>Additional comments:</i>		

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	A sample of sales invoices was tracked and found to be in order
<i>Is income reported to full council?</i>	Yes	Within the finance reports
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	£367,000 banked 11/04/22 along with a CIL payment of £17,189.26 and £367,000 banked 12/09/22 = £734,000 precept
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	CIL reserve as at 31/03/23 = £25,803.95
<i>Is CIL income reported to the council?</i>	Yes	
<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	
Additional comments:		
The report to March 2023 was found on the website.		

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>	Yes	
<i>If appropriate, is there an adequate control system in place?</i>	Yes	Claim forms are completed by staff and receipt attached. Monthly reconciliations are completed.
Additional comments:		

Section 8 – Payroll controls		
The Internal Auditor will check salaries were approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	Yes	20 x employees The Finance Committee approved the salary budget for 2023/24 at the meeting held 01/11/22 and the adoption of the NJC award at the meeting held 08/11/22.
<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	
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	To “HMRC-Accounts Of”
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	SCC Pensions LGPS
<i>Are there any other payments (e.g.: 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	
<i>Is 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	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The council reviewed and approved the asset register at the meeting held 10/05/22 (min14b) Assets stand at £2,944,604.06 as at 31/03/23.
<i>Cross checking of insurance cover</i>	Yes	Currently it is not easy to correlate the insurances to the asset register, however a project to use Rialtas asset software should make this easier in future.
Additional comments:		

⁹ Practitioners Guide

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	Banks statements were inspected and found to agree with the reconciliation presented to the Council on 31/03/2023 Lloyds 8461: £99,803.87 31/03/2023 Lloyds 32 Day Notice: £460,104.14 31/03/2023 TIC Cash: £35.00 Till Float 31/03/2023 Petty Cash: £175.23 28/02/2023 Cambridge & Counties Bond 6659: £300,000 31/03/2023 Fixed Term Deposit: £200,000.00
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	

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>	Yes	
<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	This was found on the website for 2021/22.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	The External audit report was found on the website under 'financial information'. https://www.sudbury-tc.gov.uk/files/uqd/946dd0_96898aaf98714d2d923cdf46cfda4adc.pdf
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 Council considered the previous internal audit report?</i>	Yes	This was considered at the meeting held 14/06/2022 (min 11)
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	All the recommendations have been considered and addressed
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	The appointment of SALC as the internal auditor for 2023/24 was made at the meeting held 14/03/2023 (min 14)
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 considered.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?¹²</i>	Yes	The external audit was considered at the meeting held 27/09/2022 (min 9)
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
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 (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.

Section 14 – additional information		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³	Yes	The meeting was held 10/05/2022 and the election of Mayor was the first item of business on the agenda.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	Yes	
<i>Is there a list of members' interests held?</i>	Yes	The website has links from the councillor profile to the relevant register of interest held by Babergh District Council, although on the day of the audit the Babergh web page was down.
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	N/A	
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	Yes	Financial Information is included with the minutes of meetings
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁵	Yes	ZA111753 until 15/04/23
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The council website includes a Data Protection Policy which covers GDPR
<i>Has the Council published a website accessibility statement on their website in line with Regulations?</i> ¹⁶	Yes	The council website has a link to an access statement, https://www.sudbury-tc.gov.uk/files/ugd/946dd0_cca6db9d3f3146649158d512b65989af.pdf

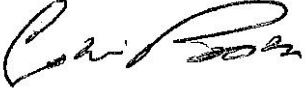
¹³ The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

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

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

<i>Does the council have official email addresses for correspondence?¹⁷</i>	Yes	
<i>Is there evidence that electronic files are backed up?</i>	Yes	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	Terms of reference for existing committees were reviewed by the Policy & Resources Committee and reported to the Full Council at the meeting held 14/06/22 (min 23).
<i>Additional comments:</i> Thank you to the Clerk, RFO and Deputy RFO for their assistance in the completion of this audit		

Signed: 

Date of Internal Audit Visit: 19/05/2023 Date of Internal Audit Report: 19/05/2023

On behalf of Suffolk Association of Local Councils

¹⁷ Practitioners Guide