Internal Audit Report for

for the period ending 31 March 2025

Clerk	Ciaran Griffin
RFO (if different)	Ms Debbie Deeks
Chairperson	Mayor Cllr Alison Owen
Precept	2024/25 = £858,400
Income	2024/25 = £1,188,194
Expenditure	2024/25 = £1,015,611
General reserves	£688,299 as at 31/03/25
Earmarked reserves	£705,076 as at 31/03/25
Audit type	Annual
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		*Internal auditor commentary*
Is the ledger maintained and up to date?	*Yes*	The Council uses income and expenditure basis for accounting.
Is the ledger on the correct basis in relation to the gross income/expenditure? (under Proper Practices, Councils are required to work on an Income & Expenditure basis when their gross income, or gross expenditure, exceeds £200,000 for 3 consecutive years)	*Yes*	The council uses a Rialtas accounting package. The cash book is reconciled on a monthly basis.
Is the cash book up to date and regularly verified?	*Yes*	No errors were found in the sample payments tested.
Is the arithmetic correct?	*Yes*	The Council uses income and expenditure basis for accounting.
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		*Internal auditor commentary*
Have Standing Orders been adopted, up to date and reviewed annually?	*Yes*	The Standing Orders were reviewed at the meeting held 13th February 2024 (min17) and are due to be reviewed at the meeting scheduled for 13th May 2025
Are Financial Regulations up to date and reviewed annually?	*Yes*	The Financial Regulations were reviewed at the meeting held 11th June 2024 and again on 11th March 2025. Although outside the period under review, it is noted that the council adopted the newly-published NALC model regulations at the meeting held 8th April 2025 (min7), in accordance with best practice.
Has the Council properly tailored the Financial Regulations?	*Yes*	The finance committee made recommendations to full council
Has the Council appointed a Responsible Financial Officer (RFO)?[1]	*Yes*	The Deputy Clerk was appointed RFO at the meeting held 12 Sept 2023
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*	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 back sheet recording the administrative processing and where relevant a minute approving the purchase.
Is VAT correctly identified, recorded, and claimed within time limits?	*Yes*	Q1 = £7,974.93 banked 23/07/24 Q2 = £15,730.28 banked 17/10/24 Q3 = £2,301.07 banked 31/01/25 Q4 = £21,266.75 submitted 25/04/25
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?	*N/A*	PW494354 for the land at the rear of the town hall. Sum outstanding 31/03/25 £301,955.99
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 £9.93 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
Is there evidence of risk assessment documentation?	*Yes*	The risk register now forms part of the Risk Management Policy
Is there evidence that risks are being identified and managed?	*Yes*	On a quarterly basis non-signatory councillors review all aspects of financial control and these reports are published on the website. **This is very good practice.** The council re-adopted the LGA model Code of Conduct at the meeting held 14/05/24 (min 15). Observing good conduct reduces the risk of poor decision-making. The council adopted a Risk Management Strategy at the meeting held 11th February 2025.
*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?*	*Yes*	The council reviewed the insurances at the meeting held 31/03/2025 (min 8&9) EL = £10m PL = £10m FG = £1m
Evidence that internal controls are documented and regularly reviewed[4]	*Yes*	The town council approved the internal control statement on 15/05/24 (min 16)
Evidence that a review of the effectiveness of internal audit was conducted during the year, including consideration of the independence and competence of the internal auditor prior to their appointment[5]	*Yes*	Appointed by the Finance Committee on 06/02/24 at the time of agreeing to recommend the re-appointment of SALC as the auditor (min13).
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
Verify that budget has been properly prepared and agreed	*Yes*	For 2024/25 the budget was adopted at the meeting held 9th January 2024 (min 9). The proposed expenditure formed part of the minutes and were signed by the Chair as a true record of what was discussed. Expenditure: £875,633.38 Precept: £820,638 The balance to come from general reserves. For 2025/26 The Finance Committee recommended the proposed budget to full council. The budget was approved at the meeting held 14th January 2025.
Verify that the precept amount has been agreed in full Council and clearly minuted	*Yes*	The meeting held 9th January 2024 approved a precept of £820,638, setting out that this resulted in a 5% (£8.68) increase for a band D property. This was correctly noted in the minutes in accordance with good practice. A precept of £858,400 for 2025/26 was approved at the meeting held 14th January 2025, noting the 2% (£3.65) increase for a Band D property.
Regular reporting of expenditure and variances from budget	*Yes*	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. The finance committee review the accounts line by line.
Reserves held – general and earmarked[6]	*Yes*	General Reserves = £688,299 which represents just over 8 months' net expenditure. Earmarked Reserves = £705,076.
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
Is income properly recorded and promptly banked?	*Yes*	A sample of income banked was tracked to original sales invoices and found to be in order
Is income reported to full council?	*Yes*	Within the finance reports
Does the precept recorded agree to the Council Tax Authority's notification?	*Yes*	£410,319 banked 08/04/25 £410,319 banked 16/09/25 = £820,638 precept
If appropriate, are CIL reporting schedules in accordance with the Regulations?[7]	*Yes*	
Is CIL income reported to the council?	*Yes*	
Does unspent CIL income form part of earmarked reserves?	*Yes*	EMR CIL £21,250
Has an annual report been produced?	*Yes*	
Has it been published on the authority's website?	*Yes*	The Annual CIL Statement for the year 2024 - 2025 has been uploaded onto the Council's website https://www.sudbury-tc.gov.uk/financial-information
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
Is petty cash in operation?	*Yes*	£273.59 at 31/3/2025
If appropriate, is there an adequate control system in place?	*Not tested*	Claim forms are completed by staff and receipt attached. Monthly reconciliations are completed
Additional comments:		

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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
Do all employees have contracts of employment?	*Yes*	The council now has 14 x employees The HR Committee approved the adoption of the NJC award at the meeting held 01/11/24 (min 8).
Has the Council approved salary paid?	*Yes*	
Minimum wage paid?	*N/A*	
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?	*Yes*	
Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	*Yes*	The payroll records were reviewed and found to be in order
Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?[8]	*Yes*	Automatic enrolment is to NEST, whilst permanent staff are given the option to enrol in the LGPS
Have pension re-declaration duties been carried out	*Yes*	Last redeclaration was June 2022, so will be due during 2025
Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?	*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
Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?[9]	*Yes*	e.g. At the Leisure and Environment meeting held 25th February 2025 a number of items beyond economic repair were written off (min7)
Is the value of the assets included? (Note value for insurance purposes may differ)	*Yes*	£2,838,857.95 as at 31/03/2025
Are records of deeds, articles, land registry title number available?	*Not tested*	
Are copies of licences or leases available for assets sited at third party property?	*N/A*	
Is the asset register up to date and reviewed annually?	*Yes*	At the meeting held 11th March 2025, the council reviewed the asset register to add additional assets.
Cross checking of insurance cover	*Yes*	The insurances for buildings, contents etc comfortably exceed the value on the asset register.
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
Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?	*Yes*	
Do bank balances agree with bank statements?	*Yes*	Banks statements were inspected and found to agree with the reconciliation prepared for the finance committee meeting to be held 6th May 2025 31/03/2025 Lloyds 8461: £73,677.00 31/03/2025 Lloyds 32 Day Notice: £104,328.47 31/03/2025 Nat West 95 Day notice: £882,139.15 31/03/2025 TIC Cash: £35.00 Till Float 31/03/2025 Petty Cash: £273.59 05/03/2025 Cambridge & Counties Bond 6659: £315,062.68
Is there regular reporting of bank balances at Council meetings?	*Yes*	

Section 11 – year end procedures		
Evidence		*Internal auditor commentary*
Are appropriate accounting procedures used?	*Yes*	Income and expenditure basis
Financial trail from records to presented accounts	*Yes*	
Has the appropriate end of year AGAR[10] documents been completed?	*Not yet*	The accounting statements have been completed in draft ahead of the internal audit, in accordance with good practice.
Did the Council meet the exemption criteria and correctly declared itself exempt?	*N/A*	
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?	*Yes*	https://www.sudbury-tc.gov.uk/financial-information includes the notices and full financial information in respect of the audit process
Have the publication requirements been met in accordance with the Regulations?[11]	*Yes*	
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		*Internal auditor commentary*
Has the Council considered the previous internal audit report?	*Yes*	This was considered at the meeting held 14/05/2024 (min 17)
Has appropriate action been taken regarding the recommendations raised?	*Yes*	There were only comments on minor matters.
Has the Council confirmed the appointment of an internal auditor?	*Yes*	The appointment of SALC as the internal auditor for 2024/25 was made at the meeting held 6/02/2024 (min 13)
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		*Internal auditor commentary*
Has the Council considered the previous external audit report?[12]	*Yes*	The external audit report was considered at the meeting held 8th October 2024 (min10)
Has appropriate action been taken regarding the comments raised?	*N/A*	The two points raised by the external auditor were historical in nature so did not require further action.
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		*Internal auditor commentary*
Was the annual meeting held in accordance with legislation? [13]	*Yes*	The meeting was held 14/05/2024 and the election of Mayor was the first item of business on the agenda.
Is there evidence that Minutes are administered in accordance with legislation? [14]	*Yes*	Pages are numbered and minutes are referenced. ***Comment:*** *It is necessary for councils to go into closed session for HR and contract issues. The minutes should always record the basic reason for excluding the press and public, to avoid questioning of the legitimacy of the exclusion and to prevent uniformed speculation.*
Is there a list of members' interests held?	*Yes*	Direct links from councillor information page on the website
Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?	*N/A*	The council does not have any trustee responsibilities
Has the Transparency Code been correctly applied, and information published in accordance with current legislation?	*Yes*	
Has the Council registered with the Information Commissioner's Office (ICO)?[15]	*Yes*	ZA111753 expires April 2026
Is the Council compliant with the General Data Protection Regulation requirements?	*Yes*	
Has the Council published a website accessibility statement on their website in line with Regulations?[16]	*Yes*	https://www.sudbury-tc.gov.uk/_files/ugd/946dd0_be3a6fd04acb4866af8038095b1397b1.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

Does the council have official email addresses for correspondence?[17]	*Yes*	The council uses .gov.uk
Is there evidence that electronic files are backed up?	*Yes*	Daily back up to a cloud server.
Do terms of reference exist for all committees and is there evidence these are regularly reviewed?	*Part-Met*	On the website the terms of reference show dates of adoption between November 2020 and June 2021 ***Comment:*** *if these have been reviewed, the date of review should be added to the document*
Additional comments: Thank you to Ciaran and Debbie for your assistance in completing this report		

Signed:

Date of Internal Audit Visit: 1st May 2025 Date of Internal Audit Report: 1st May 2025

On behalf of Suffolk Association of Local Councils

[17] Practitioners Guide