

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

Clerk: Greg Diaper	RFO: (if different)	Chairperson: Cllr Sue Bale
2020/21 Precept: £325,828 2021/22 Precept: £343,101	Income: Budget: £330,828, Actual: £422,135	Expenditure: Annual Budget £368,153, Actual: £371,527
General reserves: £96,271 as at 31/3/2021	Earmarked reserves: £476,949 as at 31/3/2021	Auditor: Colin Poole
Audit type: Year End		

### 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 the Omega accounting package which produces reports on an Income and Expenditure basis. 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>Is the cash book up to date and regularly verified?</i>	Yes	Cash books are reconciled on a monthly basis and the Town Council is registered for VAT, both sales and purchase ledgers are implemented via the Omega Accounting system. Reports including bank reconciliation goes to council meetings.
<i>Is the arithmetic correct?</i>	Yes	A number of transactions were tested and found to be correct
<b>Additional comments:</b> Woodbridge TC maintains excellent financial reporting to Council meetings		

<b>Section 2 – Financial Regulation and Standing Orders</b> 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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	Standing Orders temporarily amended at the Extraordinary Meeting held 23 <sup>rd</sup> March 2020 in response to Covid-19 (minute 815). Standing Orders were suspended for committees at the full council meeting held 21 <sup>st</sup> April 2020, with their functions brought back to full council.
Are Financial Regulations up to date and reviewed annually?	Yes	The FRs were also temporarily amended at the Extraordinary Meeting held 23 <sup>rd</sup> March 2020 in response to Covid-19 (minute 815). Following a review, the Finance Regulations were approved 23 <sup>rd</sup> June 2020 (minute 110)
Has the Council properly tailored the Financial Regulations?	Yes	
Has the Council appointed a Responsible Financial Officer (RFO)? <sup>1</sup>	Yes	Minute 682 of the meeting of the Full Council held 14 <sup>th</sup> January 2020 appointed the locum Clerk, Mr G Mussett as RFO.
<b>Additional comments:</b>		

<sup>1</sup> 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 sample of recent transactions was selected at this audit and at previous interim audits, following the paper trail from the minutes, purchase order through invoice, bank payment and cash book. There is a very well-evidenced support trail for all payments.
Where applicable, are internet banking transactions properly recorded and approved?	Yes	Accounts for Payment list including the HSBC.net are checked by an authorised member of the Finance and Staffing Committee prior to being submitted for approval at each Town Council Meeting. The process of tracking payments made via HSBC.net provides a very clear audit trail. The two-step payment authorisation system provides a proportionate segregation of duties.
Is VAT correctly identified, recorded and claimed within time limits?	Yes	Council's VAT Registration Number is 268 4119 85. A VAT return for Q2 was submitted 8/10/20 for £5,655.63. The refund was received in the Council's bank 14/10/20 A VAT return for Q3 was submitted 14/01/21 for £14,688.94. The refund was received in the Council's bank 20/01/21 A VAT return for Q4 was submitted 9/4/21 for ££8,365.84. The council commissioned a review of their VAT at the meeting held 26/01/221 (minute 822)

Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	Yes	Minute 21 of the Annual Meeting held 14-05-2019 shows the Council resolving to adopt the GPOC.
Are payments under s.137 <sup>3</sup> separately recorded, minuted and is there evidence of direct benefit to electorate?	<i>Not applicable</i>	
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	<i>Not applicable</i>	
<b>Additional comments:</b>		

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 maintains a comprehensive file of risk assessments and has a process for regular checking that material risks are being assessed and mitigated.
<i>Is there evidence that risks are being identified and managed?</i>	Yes	At the meeting held 14/12/20 the Council agreed to have a full condition and structural survey carried out on the Woodbridge Community Hall (min 696) At the meeting held 16/02/21 the council considered the risks of holding meetings in person (min 897) and took steps to minimise risk. At the same meeting the council reviewed the management of risks (896) in accordance with good practice

<sup>2</sup> Localism Act

<sup>3</sup> 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.

<p><i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee <b>and</b> has been reviewed on an annual basis?</i></p>	<p>Yes</p>	<p>The Council's Insurance document was seen, insurances expiring 01-11-2021.                  Public liability cover is £15million                  Hirer's Liability cover is £2million                  Employer's liability cover is £10million                  Fidelity Guarantee cover is £1million                  Buildings insurances are in place for 12 premises as noted on the documents seen.                  The insurances were reviewed by the Full Council on 22/09/20 (minute 416)</p>
<p><i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i></p>	<p>Yes</p>	<p>Woodbridge Town Council reviewed internal controls at their meeting held 20/10/20 (minute 515)</p>
<p><i>Evidence that a review of the effectiveness of internal audit has been carried out during the year<sup>5</sup></i></p>	<p>Yes</p>	<p>This was carried out on 23-06-20 (minute 99)</p>
<p><b>Additional comments:</b></p>		

---

<sup>4</sup> Accounts and Audit Regulations

<sup>5</sup> Governance and Accountability Guide

<b>Section 5 – Budgetary controls</b> 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		
<b>Evidence</b>		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	The 2020/21 budget was discussed by the Finance Committee on 17-09-19 and subsequently discussed at the 22-10 and 19-11-2019 meetings. The Full Council approved the budget on 14 <sup>th</sup> January 2020 (minute 683). The minutes record the details of income and expenditure. The 2021/22 budget was approved by Full Council on 26 <sup>th</sup> January 2021 (minute 821)
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	Yes, Full Council approved the precept on 14 <sup>th</sup> January 2020 (minute 683) it clearly showed the precept, percentage increase and the implications for Band D council tax, in accordance with best practice. The 2021/22 precept was approved by Full Council on 26 <sup>th</sup> January 2021 (minute 821) and in accordance with good practice the minute included the figure approved, £343,101. The minutes did not record the percentage increase (5.3%) nor the implications for Band D. <b>Recommendation: The Council uses minute 683 as a template for future recording of decisions on the precept.</b>
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Within the financial reporting structure
<i>Reserves held – general and earmarked<sup>6</sup></i>	Yes	At 31st March 2021 Council had General Reserves of £96,271 and Earmarked Reserves of £476,949.
<b>Additional comments:</b>		

<sup>6</sup> 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



<b>Section 6 – income controls</b> The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this.		
<b>Evidence</b>		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	Yes	Two random sample items of income were cross checked against cash book, bank statement and invoices. No inconsistencies were found.
<i>Is income reported to full council?</i>	Yes	Within the financial statements
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	Yes: The council submitted a precept demand upon East Suffolk Council on 16-01-2020 for £325,828. The first half-year tranche of £162,914 was paid into the Council's Ipswich Building Society on 14-05-20. The second payment of £162,914 was received 30/11/20
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	Yes	Yes – a clear record is maintained and regularly reported to Council, ahead of submitting a report to ESDC. CIL Reserves as at 31-03-2021 = £94,699.24
<i>Is CIL income reported to the council?</i>	Yes	2016/17 = £0 2017/18 = £0
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	2018/19 = £16,272.13 2019/20 = £42,794.60
<i>Has an annual report been produced?</i>	Yes	2020/21 = £35,632.51
<i>Has it been published on the authority's website?</i>	Yes	The report to 31/03/2020 was found on the website.
<b>Additional comments:</b> The regulations require the 2021 report to be published by 31 <sup>st</sup> December 2021.		

<sup>7</sup> Community Infrastructure Levy Regulations 2010

Section 8 – 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	A balance of £40.76 as at 31/03/2021 was advised by the Deputy Clerk
<i>If appropriate, is there an adequate control system in place?</i>	<i>Not tested</i>	
<p><b>Additional comments:</b> It has not been possible to verify the petty cash held in the offices matches Cash Book 4 as the audit is carried out remotely in accordance with the council's instructions.</p>		

<b>Section 9 – Payroll controls</b>		
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 <sup>st</sup> 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.		
<b>Evidence</b>		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	Yes	8 members of staff were reported as employed during 2020/21; contracts have previously been seen
<i>Has the Council approved salary paid?</i>	Yes	The Council has set up a staffing committee to review rates of pay. The annual uplift in pay was approved by full council at their meeting held 22-09-2020 (minute 414)
<i>Minimum wage paid?</i>	Yes	
<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	‘Moneysoft’ payroll software used which ensures that the Council operates within the RTI system and submits full payment monthly submissions.  The Council has set up a staffing committee to review rates of pay. The annual uplift in pay was approved by full council at their meeting held 22-09-2020 (minute 414)
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	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. P60’s were seen
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	Yes	
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	Payroll records were reviewed and the pay uplift implemented in September 2020 was verified.
<b>Additional comments:</b>		

<sup>8</sup> The Pension Regulator – [website click here](#)

<b>Section 9 – Asset control</b>		
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.		
<b>Evidence</b>		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?<sup>9</sup></i>	Yes	The Council has a significant number of assets and has made significant progress in improving the register’s usability, to the point all the information required appears present in some form.
<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>	Not tested	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	Including asset #590, the new benches at Whisstocks. The council reviewed the asset register report on 16/03/21 (957) concluding assets are worth £710,576
<i>Cross checking of insurance cover</i>	Not tested	The work to review and revise the asset register post-dates the insurance cover, so it is anticipated that the insurance will be brought into line in due course.
<b><i>Additional comments: Well done on completing this project.</i></b>		

<sup>9</sup> 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	Reported to every regular full council meeting
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances stated in the cash book as at 31/03/2021 agree with the bank statements: HSBC Current Account 3658: £3492.79 = Cash Book 1 HSBC Money Manager 8725: £136,350.42 = Cash Book 2 Ipswich Building Society as at 08/04/2021: £456,701.03* = Cash Book 3 Petty Cash reported: £40.76 = Cash Book 4 *letter from IBS confirming balance as at 30/11/20 remain unchanged
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Very full reports are provided to each regular full council meeting and on the website.

<b>Section 11 – year end procedures</b>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Accounts are produced on an income and expenditure basis.
<i>Financial trail from records to presented accounts</i>	Yes	
<i>Has the appropriate end of year AGAR<sup>10</sup> documents been completed?</i>	Yes	As Council is a smaller authority with gross income and expenditure exceeding £25,000 but not exceeding £6.5million it has completed Part 3 and Section 1 Accounting Statements of the AGAR. The Full council discussed and approved the AGAR at the meeting held 23-06-2020 (minutes 101-102)
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	<i>Not applicable</i>	
<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>	No	The Council has recorded in the minutes of the meeting held 14/12/20 that it did not meet this requirement (697)
<i>Have the publication requirements been met in accordance with the Regulations?<sup>11</sup></i>	Yes	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 following 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 Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.
<b>Additional comments:</b>		

<sup>10</sup> Annual Governance & Accountability Return (AGAR)

<sup>11</sup> 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	The Council reviewed the Q3 interim Internal Audit Report at the meeting held 16/03/21 (minute 951)
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The council is reviewing the charitable matters raised
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC were appointed on 23-06-20 (minute 100)
<b>Additional comments:</b>		

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?<sup>12</sup></i>	Yes	The council noted the receipt of an unqualified audit report at the meeting held 14/12/20 (697)
<i>Has appropriate action been taken regarding the comments raised?</i>	Not applicable	
<b>Additional comments:</b>		

<sup>12</sup> 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.*

<b>Section 14 – additional information</b> 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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> <sup>13</sup> (note to auditor- emergency Regulations as a result of the COVID-19 pandemic) <sup>f14</sup>	Yes	The Annual Meeting of the Town Council was held on 12th May 2020 with the second item on the agenda being the election of the town mayor. The Local Government Act of 1972 15(1) requires this to be the first item on the agenda.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> <sup>15</sup>	Yes	The minutes are organised and accessible on the website.
<i>Is there a list of members' interests held?</i>	Yes	There is a link on the website to the register held on the District website. All the councillors were listed. At the meeting held 20/10/20, Members were reminded to check their own register (minute 514)
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	Yes	The Council is trustee of Elmhurst Park and Kingston Field, charity number 271063, The conveyance dated 20/12/1935 was not seen.
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>	Yes	The Council publishes quarterly reports on expenditure, this being up to March 31 <sup>st</sup> 2021 at the time of the audit;
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> <sup>16</sup>	Yes	Registration No. Z5069580 to 15/10/21
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	<a href="https://www.woodbridge-suffolk.gov.uk/assets/Town-Council/TCP48-Privacy-Notice-2018-Adopted-15.5.18.pdf">https://www.woodbridge-suffolk.gov.uk/assets/Town-Council/TCP48-Privacy-Notice-2018-Adopted-15.5.18.pdf</a>
<i>Has the Council published a website accessibility statement on their website in line with Regulations?</i> <sup>17</sup>	Yes	Link to the Suffolk Cloud statement

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

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

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

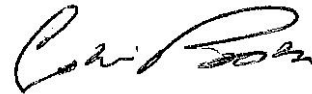
<sup>16</sup> Data Protection Act 2018

<sup>17</sup> Website Accessibility Regulations 2018



<i>Is there evidence that electronic files are backed up?</i>	Yes	Daily back up to a cloud-based service
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	Yes	The Annual meeting reviews membership and the necessity for new committees etc
<i>Do the following policies exist, have they been formally adopted and are these regularly reviewed?</i>  <ul style="list-style-type: none"> <li>• <i>Health and Safety</i></li> <li>• <i>Equality Opportunities</i></li> </ul>	Yes	
<b><i>Additional comments:</i> Thank you to Woodbridge' Finance Assistant for her assistance with completing this year end audit.</b>		

Signed: Colin Poole, on behalf of SALC



Date of Internal Audit Visit: 16/04/2021 Date of Internal Audit Report: 16 April 2021

On behalf of Suffolk Association of Local Councils