

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

Clerk: Greg Diaper
Precept: £325,828

General reserves: £60,212
as at 31/3/2020
Audit type: Quarterly

RFO: (if different)
Income: Budget:£330,828,
YTD:
Earmarked reserves:
£522,613 as at 31/3/2020

Chairperson: Cllr Sue Bale
Expenditure: Annual Budget
£368,153, YTD:

Auditor: 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:

- 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	
Additional comments: Woodbridge TC maintains excellent financial reporting to Council meetings		

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	Standing Orders temporarily amended at the Extraordinary Meeting held 23 rd March 2020 in response to Covid-19 (minute 815). Standing Orders were suspended for committees at the full council meeting held 21 st 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 rd March 2020 in response to Covid-19 (minute 815). Following a review, the Finance Regulations were approved 23 rd June 2020 (minute 110)
Has the Council properly tailored the Financial Regulations?	Yes	
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	Minute 682 of the meeting of the Full Council held 14 th January 2020 appointed the locum Clerk, Mr G Mussett as RFO.
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		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	A random sample of five recent transactions was selected, 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
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	Yes	Minute 21 of the Annual Meeting held 14-05-2019 shows the Council resolving to adopt the GPOC.

² Localism Act

Are payments under s.137 ³ 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>	
Additional comments:		

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 (696)
<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'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)

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.

<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	Woodbridge Town Council reviewed internal controls at their meeting held 20/10/20 (minute 515)
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i>	Yes	This was carried out on 23-06-20 (minute 99)
<i>Additional comments:</i>		

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>	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 th January 2020 (minute 683). The minutes record the details of income and expenditure.
<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 th January 2020 (minute 683) it clearly showed the precept, percentage increase and the implications for Band D council tax, in accordance with best practice.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Within the financial reporting structure
<i>Reserves held – general and earmarked⁶</i>	Yes	At 31st March 2020 Council had General Reserves of £60,212 and Earmarked Reserves of £462,401.
Additional comments: At the meeting held 23-06-2020 the full council agreed that the budget for 2021/22 would include a provision to increase general reserves to £80,000 (minute 98) This would begin a prudent policy of raising the general reserves to at least 25% of expenditure (for 2020/21 this would equate to £92,000)		

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	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?⁷</i>	Yes	Yes – a clear record is maintained and regularly reported to Council, ahead of submitting a report to ESDC.
<i>Is CIL income reported to the council?</i>	Yes	CIL Reserves as at 31-12-2020 = £94,699.24
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	2016/17 = £0
<i>Has an annual report been produced?</i>	Yes	2017/18 = £0
<i>Has it been published on the authority's website?</i>	Yes	2018/19 = £16,272.13
		2019/20 = £42,794.60
		2020/21 = £35,632.51
Additional comments:		
The report to 31/03/2020 was found on the website		

⁷ 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 £48.11 as at 31/12/2020 was reported to Full Council
<i>If appropriate, is there an adequate control system in place?</i>	<i>Not tested</i>	
Additional comments: 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.		

Section 9 – Payroll controls		
<p>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 1st 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.</p>		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	Yes	8 members of staff were reported as employed; contracts have previously been seen 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>Has the Council approved salary paid?</i>	Yes	
<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.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</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.
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 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
<i>Cross checking of insurance cover</i>	Not tested	Until the work on the asset register is complete, it is not possible to validate this test. As much as it was possible to do, testing found insurance to be adequate and given the spread of risk represented by having such a number of assets, there is no concern to raise on the adequacy of insurances.
Additional comments: The council has 590 individual assets on its register and it is no mean feat to get these all assessed, establish the value on acquisition and categorise everything for the purposes of cross-checking insurance. By way of comparison, Haverhill Town Council has just 71 assets to track.		

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	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 31/12/2020 agree with the bank statements: HSBC Current Account 3658: £5836.50 = Cash Book 1 HSBC Money Manager 8725: £212,417.71 = Cash Book 2 Ipswich Building Society as at 12/01/2021: £456,701.03 = Cash Book 3 Petty Cash reported: £48.11 = Cash Book 4
<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.

Section 11 – year end procedures		
Evidence		<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 AGAR¹⁰ 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>	Not applicable	
<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?¹¹</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.
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	The Council reviewed the Internal Audit Report at the meeting held 17/11/20 (minute 604)
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The council agreed to continue to improve the asset register, which would cover all the linked recommendations.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC were appointed on 23-06-20 (minute 100)
Additional comments: There are no outstanding actions for completion.		

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 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>	<i>Not applicable</i>	
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 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> ¹⁵	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 December 31 st 2020 at the time of the audit;
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁶	Yes	Registration No. Z5069580 to 15/10/21
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	https://www.woodbridge-suffolk.gov.uk/assets/Town-Council/TCP48-Privacy-Notice-2018-Adopted-15.5.18.pdf
<i>Has the Council published a website accessibility statement on their website in line with Regulations?</i> ¹⁷	Yes	Link to the Suffolk Cloud 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	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"> • <i>Health and Safety</i> • <i>Equality Opportunities</i> 	Yes	
<i>Additional comments:</i> Thank you to the staff at Woodbridge for their assistance in completing this audit, which was carried out remotely due to restrictions under the Covid-19 pandemic. Woodbridge now exhibits the hallmarks of well-run and well-governed Council which can be used as an example of good practice for others to follow.		

Signed: **Colin Poole**, on behalf of SALC *C. Poole*

Date of Internal Audit Visit: 11/02/2021 Date of Internal Audit Report: 15 February 2021

On behalf of Suffolk Association of Local Councils