

Internal Audit Report for Woodbridge Town Council for Q3 Financial Year 2021-22

Clerk	Greg Diaper	
RFO (if different)		
Chairperson	Cllr Sue Bale	
	Annual Budget	Actual To Date 31/12/21
Precept	£ 343,101	£343,101
Income	£ 388,635	£440,269
Expenditure	£ 518,635	£399,086
General reserves	£146,678 as at 31/12/21	
Earmarked reserves	£467,725 as at 31/12/21	
Audit type	Interim	
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:

- 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 .
Additional comments:		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC’S latest model which include legislative changes.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	At the meeting of 22nd June 2021, Council reviewed its existing Standing Orders confirming that there were no changes required to those adopted in 2020. A copy was found on the council’s website.
Are Financial Regulations up to date and reviewed annually?	Yes	Financial Regulations (FR), were reviewed by the Town Council at the same meeting, a copy of which can be found on the Council's website
Has the Council properly tailored the Financial Regulations?	Yes	
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	Minute 388 of the meeting of the Full Council held 5/10/2021 appointed the Clerk, Mr G Diaper 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		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 Q4 was submitted 9/4/21 for £8,365.84. The refund was received in the Council's bank 19/4/21 VAT return for Q1 was submitted 8/07/21 for £6,153.89. The refund was received in the Council's bank 19/07/21 VAT return for Q2 was submitted 11/10/21 for £12,356.40. The refund was received in the Council's bank 15/10/21 VAT return for Q3 was submitted 13/01/22 for £26,543.97.
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 16/02/21 the council reviewed the management of risks (896) in accordance with good practice
<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 31-10-2022. 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 renewal of the insurances were noted by the Full Council on 23/11/21 (minute 529)

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 19/10/21 (minute 434)
<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 04/05/21 (minute 31)
Additional comments:		

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 2021/22 budget was approved by Full Council on 26 th January 2021 (minute 821)
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The 2021/22 precept was approved by Full Council on 26 th 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.
<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 December 2021 Council had General Reserves of £146,678 and Earmarked Reserves of £467,725.
Additional comments:		

⁴ Accounts and Audit Regulations

⁵ Governance and Accountability Guide

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	Using the information provided, a sample 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	The council received the 1 st instalment of its precept in the sum of £171,550.50 on 30/04/2021 as reported at the meeting of 22/06/2021 (min 52). The Council received the 2 nd instalment on 29/9/21, as reported at the meeting held 19/10/21 (min 429)
<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 31-03-2021 = £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
		2021/22 = £40,609.13 income to 31/12/21, £14,025.22 expenditure.
		The report to 31/03/2021 was found on the website.
Additional comments:		

⁷ Community Infrastructure Levy Regulations 2010

Section 7 – petty cash		
The Internal Auditor will seek evidence that the Council has followed its own policies, procedures and verification processes and that these are up to date.		
Evidence		Internal auditor commentary
<i>Is petty cash in operation?</i>	Yes	A balance of £187.20 as at 31/12/2021 was advised by the Town Clerk.
<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 8 – Payroll controls		
The Internal Auditor will check salaries are approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 1 st April 201, evidence will be required to show compliance with the new requirements for the statement of employment, Induction, probation periods and training requirements. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	Yes	As at 27/1/2022 5 members of staff were reported as employed.
<i>Has the Council approved salary paid?</i>	Yes	The JNC is yet to settle the 2020/21 pay round. The council approved the Deputy Clerk's pay 5/10/21 min 390
<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	The Council has a staffing committee to review rates of pay.

<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	'Moneysoft' payroll software is used which ensures that the Council operates within the RTI system and submits full payment monthly submissions. 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	Expenses are paid
Additional comments:		

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 asset register records assets with a value of £710,576.
<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	

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

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

<i>Is the asset register up to date and reviewed annually?</i>	Yes	The council reviewed the asset register report on 16/03/21 (957) concluding assets are worth £710,576, it was noted at the meeting held 4/5/21 that no changes had been made (min 21)
<i>Cross checking of insurance cover</i>	Yes	The asset register insurance values need to be updated to reflect the current insurance values as shown on the insurance schedule
Additional comments:		

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>		Reported to every regular full council meeting
<i>Do bank balances agree with bank statements?</i>		Bank balances stated in the cash book as at 31/12/2021 agree with the bank statements: HSBC Current Account 3658: £12,010.88 = Cash Book 1 HSBC Money Manager 8725: £266,814.04 = Cash Book 2 Suffolk Building Society as at 04/12/2021: £457,842.78 = Cash Book 3 Petty Cash reported: £187.20 = Cash Book 4
<i>Is there regular reporting of bank balances at Council meetings?</i>		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 04/05/21 (minutes 33-34)
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Not applicable	As the Town Council has gross income and expenditure exceeding £25,000 it will not be able to declare itself exempt from a limited assurance review.
<i>During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?</i>	Yes	The internal auditor was able to find the arrangements for the exercise of public rights for the year ending 31st March 2021 and can confirm that the dates set for the year ending 31st March 2021 were from 14th June until 23 July 2021.
<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>		The Internal Audit Report for the year ending 31 st March 2021, was considered and accepted by full Council at its meeting of 4 th May 2021. The Interim audit carried out 17 August 2021 was considered and accepted by the council on 21/09/21(,min 346)
<i>Has appropriate action been taken regarding the recommendations raised?</i> Recommendation: The Council uses minute 683 (Jan 2020) as a template for future recording of decisions on the precept. (Jan 2022 being earliest opportunity)	Yes	Council noted the one recommendation raised within the report with regards to the expansion of the minute approving the budget and precept. The layout of the minutes of the meeting held 18/01/22 (min 671) shows very clearly both the budget setting and the subsequent setting of the precept.
Recommendation: during the review of Council’s suite of policies under GDPR, Council might wish to consider the adoption of a number of policies that provide the framework for responding to Subject Access Requests (SAR); that cover the internal procedures on the handling of SARs and that deal with security breach incidents covering organizational risks. Such policies should include procedures for handling requests for rectification, erasure or restriction of processing and a response plan for dealing with a security breach.	Yes	Council noted that officers would undertake resolving this by December 2021. Subsequently the council adopted a Data Security Incident Policy, Data Subject Access Policy and Investment Policy and Strategy.
Recommendation: Local Government Transparency Code 2015 - to ensure full compliance with the requirements of the Local Government Transparency Code 2015 (for Council whose gross		

<p>annual income or expenditure (whichever is the higher) exceeds £200,000), Council needs to ensure that the website is updated with the following information in accordance with the required timescales: quarterly: Individual items of expenditure that exceed £500; Government Procurement Card transactions; Invitations to tender for contracts over £5,000; Details of contracts that exceed £5,000; annually: Details of all land and building assets; Grants to Voluntary, Community and Social Enterprise Organisations; Organisation Chart; Parking Account; Parking Spaces; Senior Salaries</p>		
<p><i>Has the Council confirmed the appointment of an internal auditor?</i></p>		<p>The re-appointment of SALC as the Council's internal auditor for the year 2021-2022 was confirmed at the meeting of 4th May 2021 (minute 32)</p>
<p><i>Additional comments:</i></p>		

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		Internal auditor commentary
<i>Has the previous external audit report been considered by the Council?</i> ¹²		The council noted the receipt of the external audit report at the meeting held 21/09/21 (min 345)
<i>Has appropriate action been taken regarding the comments raised?</i>		No relevant matters to action
Additional comments:		

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		Internal auditor commentary
<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> ¹⁴	Yes	Council held its Annual Meeting of the Parish Council during the year under review on 4 th May 2021 via remote means.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵	Yes	The minutes are organised and accessible on the website.

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.*

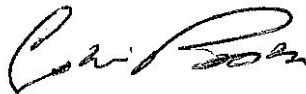
¹³ The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

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

<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.
<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.
<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 2021 at the time of the audit.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁶</i>	Yes	Registration No. Z5069580 to 15/10/22
<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?¹⁷</i>	Yes	Link to the Suffolk Cloud statement
<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
<p>Additional comments: Many thanks to the Clerk and Financial Assistant for their assistance with completing this audit. Woodbridge operates excellent financial management with very clear transparency.</p>		

Signed:



Date of Internal Audit Visit: 26/01/2022 Date of Internal Audit Report: 27/01/22

On behalf of Suffolk Association of Local Councils

¹⁶ Data Protection Act 2018

¹⁷ Website Accessibility Regulations 2018