



Suffolk
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Internal Audit Report

Year ending: 31st March 2020

Name of Council:	Needham Market Town Council
Income:	£49,842.66
Expenditure:	£177,059.44
Precept Figure:	£119,935
General Reserve:	£79,745.80
Earmarked Reserves:	£75,509.88



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Internal Audit Objectives and Responsibilities

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council, and to achieve this will 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

Accordingly, in the conduct of planned audits Internal Audit 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 2019/20 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

Subject	Requirements	Comments/Recommendations
1. Proper Book-keeping	Type of cash book or ledger used	The Council uses Income and Expenditure although though the total is below the threshold for adopting this procedure.
	Cash book kept up to date and regularly verified against bank statement	The council uses a Sage accounting package. The cash book is reconciled on a monthly basis.
	Correct arithmetic and balancing	No errors were found in the sample payments tested.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	The Standing Orders were adopted in 2012. The Council were advised at the meeting held 05/02/20 that the Clerk was working on a revision based on the model SOs. At the time of audit this had not been adopted. The Council has adopted the Suffolk Code of Conduct
	Evidence that Financial Regulations have been adopted and reviewed regularly	A draft FR has been prepared and tailored to the council, but has not been presented for adoption
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The role of RFO is included within the job description of the Assistant Clerk, as set out in the FR.
	Evidence that Financial Regulations have been tailored to the Council	Yes – but not yet adopted
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	Sample payments were cross checked against cheque book, cash book, bank statement, invoice and payment list. The quality of the audit trail was exceptionally good and very easy to follow
	Internet Banking transactions properly recorded/approved	Not applicable. On 07/08/2019 (C140/19/1b) the Council asked about internet banking and was advised that “full use of the internet banking system is precluded by financial regulations that apply to local councils”.

		<p>Observation: A large number of parish councils make full use of internet banking in order to reduce banking costs for the taxpayer.</p>
VAT correctly identified and reclaimed within time limits		VAT is identified in the cash book and purchase ledger. VAT Returns are submitted electronically. Reclaims were submitted 24/6/19 (refund rec 1/7/19), 30/10/19 (refund rec 5/11/19), 23/2/19 – this last one has ran into an HMRC glitch.
Has Council adopted the General Power of Competence and is it being correctly applied?	Not applicable	
S137 separately recorded, minuted and within statutory limits		The Council is aware of the s137 limit for the year. In reports, the use of s137 is marked with an asterisk. Payments made were £25. Note: It is s137 of the Local Government Act 1972, not 1962.
Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	n/a	
4. Risk Management		
Is there evidence of risk assessment documentation?		Risk assessment documentation was reviewed on 05/02/20 by Full Council. The council maintains a comprehensive risk assessment document.
Evidence that risks are being identified and managed.		The meeting held 20/11/2019 was advised the town council risk assessment was under review, including RoSPA and a review of civic events (C205/19/1c4)
Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Employers Liability = £10m Public Liability = £15m Fidelity Guarantee Insurance = £200,000, which is sufficient.	
Evidence that insurance is adequate and has been reviewed on an annual basis		The FGP Section meeting held 27/08/19 received confirmation from the Clerk that insurances were in place and renewed in July 2019. The Council considered the insurances at the meeting held 04/09/19 under C156/19 1b

	Evidence that internal controls are documented and regularly reviewed	Financial Management is a standing item for the FGP Section, under which matters of internal control are considered
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	The internal audit arrangement was reviewed on 05/06/19 (C103/19 1c) and the council considered the arrangements were satisfactory.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The council considered priorities for funding at their meeting held 05/12/18 and a draft budget for 2019/20 for £123,500. it was approved on 06/02/19 (C016/19/1c) along with the precept.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	A precept of £119,935 was approved on 06/02/19 (C016/19/1c) The percentage increase was given but the actual precept approved was not recorded in the minutes, nor was it identified in the FGP minutes.
	Regular reporting of expenditure and variances from budget	The 2020/21 precept was set on 05/02/20, identifying a precept of £125,029, which the Council was inaccurately advised was an increase of 3.9% (C015/20). It is an increase of just under 4.25%
	Reserves held General and Earmarked.	Full six-monthly reports are provided to full council, in addition to regular reporting to FGP and through to Council. General reserves as at 31/3/19 = £79,745.80 Earmarked reserves as at 31/3/20 = £75,509.88 Reserves are held for replacement reserves (depreciation) and specific projects. The reserves valuation equals the bank reconciliation: £155,255.68
6. Income controls	Is income properly recorded and promptly banked?	yes
	Is income reported to full Council?	Income is reported to the FGP, which submits reports to full council
	Does the Precept recorded agree to the Council Tax Authority's notification?	The precept demand was served upon MSDC on 6th February 2019. Precept was banked 15/04/19 and 9/09/19

	<p>If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?</p> <ul style="list-style-type: none"> • Is CIL income reported to Council? • Does unspent CIL income form part of Farnmarked reserves? • Has an annual report been produced • Has it been published on the authority's website 	<p>N/A – no funds have been spent</p> <p>Yes</p> <p>Yes</p> <p>No</p> <p>No</p>
<p>7. Petty Cash</p>	<p>Is a petty cash in operation?</p> <p>If so, is there an adequate control system in place.</p>	<p>Yes</p> <p>The Council also provides a credit card with a £1000 limit for incidental purchases. A sample of purchases were reviewed and found to be in line with council operations</p>
<p>8. Payroll controls</p>	<p>Do all employees have contracts of employment?</p> <p>Are arrangements in place for authorising of the payroll and payments by the Council?</p> <p>Verifying the process for agreeing rates of pay to be applied.</p> <p>Do salary payments include deductions for PAYE/NIC?</p>	<p>The council employed 6 persons during the year under review. The Clerk has a contract, the Assistant Clerk has a letter of appointment</p> <p>Payroll is reported monthly to the Council Aggregate figures for payments to staff are authorised along with other accounts for payment at Full Council.</p> <p>The Council follows the national green book arrangement. The Employment Section has not met for some time although staff pay uplifts have been applied. Recommendation: The Council is an employer with the same duties towards staff as any other employer. Regular meetings of a dedicated employment committee ensures that pay uplifts are properly authorised, proper disciplinary and grievance procedures are in place and demonstrates good risk management associated with staff matters.</p> <p>Yes</p>

	Is PAYE/NIC paid promptly to HMRC?	Yes via Payroo – NMDC has adopted MTD arrangements
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Yes - The Council is with NEST. It wrote to staff in 2016. Staff who are eligible have opted out.
	Are other payments to employees reasonable and approved by the Council?	N/A
9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	Asset register as at 31 st March 2020, with fixed assets of £560,539.16
	Verifying that the Asset Register is reviewed annually	The Clerk advised that the asset register was reviewed with the annual accounts, when considering the AGAR for 2019/20, on 15/07/20. Recommendation: Make this a separate agenda item, so it is minuted clearly.
	Cross checking of Insurance cover	The insurances appear in line with the asset register.
	Regularly completed and reconciled with cash book	Bank reconciliations are completed and reported to Council on a 6-monthly basis. All were found to be in order.
10. Bank reconciliation	Confirm bank balances agree with bank statements	02/04/20 – Barclays charity acc 8213: £695.89 02/04/20 – Barclays tracker 0685: £17,548.52 01/04/20 – Barclays current: 2844: £83,783.41 02/02/20 – Barclays Event 7330: £69.61 01/01/20 – Cambridge & Counties 1126: £55,324.65 09/03/20 – Petty Cash: £62.91
	Regular reporting of bank balances at council meetings	Yes

11. Year-end procedures	Appropriate accounting procedures used	Income and expenditure, which the RFO is comfortable with although not the recommended procedure.
	Financial trail from records to presented accounts	Very clear audit trail and well maintained process
	Has the appropriate end of year AGAR documents been completed?	On 05/06/2019 Councillors were advised of the content of the Annual Governance Statement to be signed on 19/06/2019. The minutes of that meeting (C113/19/1b & 1c) clearly set out the process of approving the AGAR, providing good evidence of correct procedure.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	N/A
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations?	The Clerk has advised that this was done. Recommendation: Reporting this to the Council, taking a photograph of the notice on the notice board and retaining evidence that it was on the website would assist verification of this assertion.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The notice of conclusion of audit and year-end AGR were published on the website, found on the home page.
12. Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	As per the previous year, the internal audit report appears to have been considered only by FGP on 27/08/19 rather than be considered by the Council body directly. The fact that the report contained 'matters of concern' was minuted by Full Council on 04/09/2019. This is insufficient as it is unclear whether all Councillors have received a copy of the IA report. Both the internal and external audit reports are reports to the Council and not a committee. Recommendation: Full Council must consider audit reports and can then delegate any actions to committees.

	<p>Verifying that appropriate action has been taken regarding recommendations raised in reports from previous Internal Audits</p> <p>Recommendation: SO should be reviewed annually, which involves only confirmation that they are still fit for purpose. Adoption of the national model (suitably tailored to NMTC) would save a great deal of time and effort as well as ensuring compliance with regulations and good practice.</p> <p>Recommendation: The Council should adopt Finance Regulations to govern the finance function. There is a NALC model available on the SALC website to tailor to the council. Currently the RFO and Clerk are doing best practice but it is not set into the governance structure, so if they left, there could be issues quickly arise.</p> <p>Recommendation: Minutes of meetings should record who was present.</p> <p>Recommendation: The amount of precept and the resulting Band D contribution should be clearly minutes for transparency.</p>	<p>2018: No – Finance Regulations and Standing Orders reviews remain outstanding</p> <p>2018: No – Internal Audit was not presented to full Council</p> <p>2019: No – A draft has been prepared but not yet presented for adoption</p> <p>2019: No – A draft has been prepared but not yet presented for adoption</p> <p>2019: No – The minutes of the FGP section usually lists only apologies rather than who was present, so it is not clear whether these meeting are quorate and therefore whether the consideration claimed to have been made of matters discussed is sufficiently robust. Recommendation: Given the key recommendations coming out of this committee, this is not an acceptable practice and is in breach of the law: Local Government Act 1972 Sch12 40.</p> <p>Yes - For 2020/21 the actual precept and %age change were minuted, C015/20.</p>
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<p>Recommendation: Ensure that annual items are scheduled for review within each financial year, such as at the Annual Meeting</p>	<p>Partially – Standing Orders and Finance regulations have not been reviewed for years and was not ready for adoption over 7 months on from the last internal audit.</p>
<p>Recommendation: It is good practice that the RFO asks a member of FGP to cross-check the bank statements with the reconciliation presented to the meeting, to confirm the balances reported tally with the actual statement, the Councillor then signing the statements to signify this has been done and that the reconciliation is an accurate report. This prevents fraud.</p>	<p>Not known – not minuted as having happened.</p>
<p>Recommendation: Leave all information on the website in order to fulfil FOI regulations</p>	<p>No – Whilst nothing else appears to be removed, there is a need for a thorough revamp of the website as it does not comply with the Transparency regulations.</p>
<p>Recommendation: Full Council must consider audit reports and can then delegate any actions to committees.</p>	<p>No - Whilst the fact the Internal Audit raised concerns was reported to the full council as a report from FGP, Councillors did not receive a copy of the report – it was “available if they wished to read it”. It is not confirmed that members of FGP received a copy – the Chair referred to it in the meeting.</p>
<p>Recommendation: The Council does not formally appoint the membership of ‘sections’ in an open meeting. For transparent democratic process, membership should be decided by resolution of the full council.</p>	<p>No – Not done.</p>
<p>Recommendation: The status of ‘sections’ should be reviewed. These are standing committees of Councillors and calling them something else does not change that. These meetings are closed to the</p>	<p>No action has been taken to correct this unlawful arrangement.</p>

	<p>public which may be unlawful [Public Bodies (admission to meetings) Act 1960 s1]. Members are not summonsed nor given three days' notice of the specific business to be transacted. This is unlawful [LGA 1972 Sch12 10(2b)]. There is no public notice published [LGA 1972 Sch12 (10a)]. The notes are not published on the website</p>	
	<p>Confirmation of appointment of Internal Auditor</p>	<p>SALC were appointed at the meeting held 15/05/19 C084/19</p>
<p>13.External audit for the year ending 31 March 2019</p>	<p>Verifying that the external audit report has been considered by the Council</p>	<p>Discussed 023/10/19 by full council at C174/19 1b</p>
	<p>Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit</p>	<p>N/A</p>
<p>14. Additional Comments</p>	<p>Annual meeting - held in accordance with legislation</p> <p>Governance process</p>	<p>The annual meeting of the Town Council was held on the 15th May 2019. The election of Chairman was the first item on the agenda. However, the minutes show the Councillors did not sign their declarations of office until after they elected the Chair, meaning they were not Councillors when they did so. Recommendation: After an ordinary election, the first item of business should be to confirm Councillors have signed their declarations of office.</p> <p>On 05/06/2019 item C094/19 the co-option of a new Councillor was added to the agenda after the meeting had started and the co-option was subsequently concluded. The law requires three clear days' notice for business that is to be transacted. The Clerk advises this vacancy was advertised in the local newsletter. Observation: Given the frequency of full council meetings, it is unclear why this could not have been held over and lawful notice be given. The Chair cannot add items of business without proper notice.</p>

		<p>Section leaders are appointed at the Annual Meeting, which is a useful practice, in giving specific topics to Councillors as leaders to provide a good focus on matters and share the workload.</p> <p>Exclusion of the public should be under the Admission to Public Bodies Act 1960.</p>
	<p>Correct identification of trustee responsibilities</p>	<p>The status of the "Mayoral charity" was unclear. It is administered by the council – following discussion with the Clerk it was agreed that to avoid restating the accounts for 2019/20, the council will include this account as council funds from 2020/21 onwards. This regularises the situation.</p>
	<p>Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation</p>	<p>The website was described by the Newsletter and communication section as 'not fit for purpose' in January 2019. Notes of a meeting held 27/6/20 indicate a website is 'under construction', but no further mention following that date.</p> <p>On 06/02/19 the Council considered a report from FGP, 'format of council meetings'. This appeared to provide a good framework to review the governance structure of the Council to ensure it complies with best practice and the law. No further action appears to have taken place.</p>
	<p>Verifying that the council is registered with the ICO</p>	<p>No – the ICO register was checked but no matching result was found. Recommendation: the Council should consider annually whether it is a data controller (e.g. personnel records) and if it should register.</p>
	<p>Verifying that the Council is compliant with the General Data Protection Regulation requirements</p> <p>Are the following in place:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices 	<p>The full council adopted a report and recommendations from the Clerk on 21/03/18 (C046/18) It is not apparent that any further work has been done.</p> <p>Recommendation: the Council needs to urgently ensure that it is compliant with GDPR and that the list of five requirements are met.</p> <p>Not seen</p>

	<ul style="list-style-type: none">• Procedures for dealing with Subject Access Requests• Procedure for dealing with Data Breaches• Data Retention & Disposal Policies	
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Signed



Date of Internal Audit Visit 17/07/2020

Date of Internal Audit Report 22/07/2020

On behalf of Suffolk Association of Local Councils