

## **Report to Watton Town Council**

### **Interim Internal Audit as at November 2023**

#### **1. Introduction.**

1.1 The Internal Audit reviews programmed for the year 2023/24 include an Interim Audit which will lead into and support the End-of-Year Audit which will take place in May/June 2024 following the completion of the 2023/24 Accounts. In this way the Town Council is supported throughout 2023/24 in terms of receiving assurance upon the adequacy and efficiency of key systems in place. This audit report relates to the Interim review undertaken in November 2023. Terms of Reference and an Audit Plan for the review were agreed with the Council.

1.2 The Internal Auditor attended the Town Council's offices on 30 November 2023 to complete the Internal Audit, which focussed upon the adequacy of systems of internal controls operating during the period April 2023 to October 2023. Mrs Jane Scarrott, the Town Clerk and the Council's Responsible Financial Officer (RFO) and Michelle Thompson (Deputy Town Clerk) were in attendance.

1.3 In addition to the documentation presented to the Internal Auditor, all relevant published data held on the Council's website was accessed during the audit.

1.4 In accordance with the Audit Plan, the Internal Audit work examining the Council's operations during 2023/24 are detailed below. In the light of the audit findings, a number of recommendations have been put forward in this Audit Report and which are aimed to enhance the governance and financial control arrangements currently in place and to ensure compliance with the relevant Regulations which apply to the Council.

#### **2. Governance, Standing Orders, Financial Regulations and other Regulatory matters (*examination of Standing Orders, Financial Regulations, Code of Conduct, Formal Policies and Procedures, Tenders where relevant. Acting within the legal framework, including Data Protection legislation*).**

2.1 As part of the **Council's overall governance arrangements**, at the Annual General Meeting of the Council held on 23 May 2023 the Council elected the Chairman and Vice Chairman and agreed Terms of Reference (T of R) for the HR and Finance Committees, the Neighbourhood Plan Steering Group, the Cemetery Working Group and the Loch Neaton Working Group.

2.2 The Committee Members and Chairmen of the HR Committee and Finance Committee and Working Groups were confirmed by the Council on 23 May 2023. Representatives and lead Councillors to outside bodies were also agreed as were Bank Signatories. The Council appointed a Councillor to check monthly invoices against payments made and noted that the Finance Committee had appointed a Councillor to check staff salary/wages.

2.3 **Standing Orders** are in place and were approved by the Council at its meeting on 15 March 2022. A copy has been published on the Council's website and notes that the version was revised and accepted by the Council on 28 June 2022. **The thresholds listed under Section 18f of the Standing Orders are now out of date and require updating at the next review.**

2.4 **Financial Regulations** are also in place and were approved by the Council at its meeting on 27 June 2023 following review by the Finance Committee. Further amendments were agreed by the Council at its meeting on 14 November 2023 following recommendations by the Finance Committee. A copy of Financial Regulations has been published on the Council's website **The footnote to item 11.1 c is now out of date and can be similarly updated at the next review. Revised, up-to-date Model Financial Regulations are due to be published by the National Association of Local Councils in 2024.**

2.5 The Council is developing a **Neighbourhood Plan (NP)** that will, when complete, form part of the statutory town planning framework for the area. Regular reports and updates are provided at Council meetings. At its meeting on 12 September 2023 the Council accepted the Examiner's Report for the Watton NP and agreed that the Plan should be put forward for Referendum. The Council was advised on 24 October 2023 of the timetable for the Referendum.

2.6 Whilst the NP provides a framework for the future planning requirements for Watton and the 4-Year Financial Forecast identifies future budgetary requirements, the Council does not have a formal medium-term Business Plan to secure an efficient development pathway in other strategic areas of operation. The adoption and maintenance of a 4-Year Business Plan (with a lifespan of 2024 to 2028) would act as an overarching document which lists the Business Aims, a Schedule of Initiatives, Actions in Place (to be taken and by whom) and the Outcome of those actions.

**Recommendation 1: The Council should consider constructing a 4-Year Business Plan as a fluid, dynamic document in order to facilitate the meeting of the agreed overall strategic objectives. The Plan would set out overall objectives and priorities for achievement. This closely focussed, medium-term Strategic Plan would be supported by the existing 4-Year Financial Forecast and inform the direction of detailed Action Plans which would sit beneath the higher-level documents and assist in monitoring the progress in meeting the agreed strategic objectives.**

2.7 The Council has a **Responsible Financial Officer (RFO)** in place, Jane Scarrott is in post as Town Clerk/RFO. Mrs Scarrott is supported by Michelle Thompson (Deputy Town Clerk) and Jane Lambert (Office Support Clerk).

2.8 The Council appointed a **Councillor Internal Control Officer** at its meeting on 13 June 2023. The Town Clerk advised the Internal Auditor that the Councillor currently only checks the Bank Reconciliation at Finance Committee meetings. It is Best Practice for a Councillor Internal Control Officer to provide independent oversight of systems and management operations to assist completion of the Annual Governance Statement and specifically to carry out independent monitoring and spot checks of the accounting software, to scrutinise processes through transaction

testing and system interrogation and to report findings and any recommendations to Committee and the Council where appropriate.

**Recommendation 2: The Council should expand the role and responsibilities of the nominated Councillor Internal Control Officer. A check list should be constructed to evidence completion of Quarterly Checks of systems, spot checks of payments, processes, transaction testing for reporting to the Finance Committee and the Council.**

2.9 **The General Power of Competence** (GPoC) is in place, the Council having adopted the Power at its meeting on 23 May 2023 following confirmation that the qualifying conditions had been met.

2.10 The **Council's Minutes** are well presented and provide clear evidence of the decisions taken by the Council in the year. However, whilst agendas are correctly published, there was a significant delay during the year in publishing the Minutes of Council and Committee meetings on the Council's website. An examination of the website on 1 October 2023 revealed that the Minutes of Council meetings had not been published since the meeting held on 27 June 2023.

**Recommendation 3: In the interests of transparency and for the benefit of the local community, the Council should always ensure that Minutes of Council and Committee meetings are publicly available, and published on the Council's website, as soon as practicably possible after each meeting. (Many Councils publish in Draft Form and later in Confirmed Form after eventual approval by the Council or Committee concerned).**

2.11 The **Council's** Agendas are being promptly published on the Council's website. However, it was noted that Papers attached to the agenda headings are not being published at the time of the publication of the Agenda in most cases. It may be helpful for local residents and the community in general to be able to access from the website the complete information, where appropriate, to assist their understanding of the issues due to be considered by Councillors.

**Recommendation 4: Consideration should be given by the Council to the publication of Papers attached to each Agenda item, where appropriate, to inform and assist local residents and other members of the public regarding the items to be considered by Councillors at the meetings.**

2.12 The Council is **Registered with the Information Commissioner's Office** (ICO) as a Fee Payer/Data Controller for the provision of council services under current Data Protection legislation (Registration Z1509828 refers, expiring 16 October 2024).

2.13 The Council has published no formally approved Data Protection Policies to evidence compliance with the General Data Protection Regulations (GDPR). The Finance Committee noted at its meeting on 15 June 2023 that the Town Clerk would arrange to obtain quotations from consultants to undertake an audit of processes to ensure compliance with the GDPR. The Town Clerk confirmed to the Internal Auditor that the Council is currently working with solicitors engaged to assist in bringing appropriate policies into place as soon as practicably possible.

2.14 The Council has a Publication Scheme in place to assist with meeting Freedom of Information legislation. A copy of the scheme (dated October 2022) has been published on the Council's website.

2.15 The Council demonstrates good governance practice through the adoption and review of a wide range of other **Policies, Procedures and Protocols**. The Town Clerk maintains an annual schedule which provides for the review of existing policies and the putting forward of any new policies that may be required. As part of this process the Complaints Policy and the Co-option Policy were reviewed and re-adopted by the Council at its meeting on 8 August 2023.

2.16 Approved Council Policies in place (and published on the Council's website) include Policies relating to CCTV & Vehicle Tracking, Complaints, Co-option, Disciplinary & Grievance, Equality, Expenses, Health & Safety, Information Technology, Communications and Social Media, Investment Strategy, Lone Working, Sickness and Absence and Training and Development.

2.17 Some Policies published on the website are now overdue for review and updating; The Pension Policy/Statement was adopted in November 2016 and has not been reviewed since that time. Similarly, the Lone Working Policy is recorded as last reviewed in June 2021 and was due for review in August 2022 but has not been reviewed.

2.18 The Council is continuing to examine new policies and procedures as the need arises. In this respect, the Council agreed on 14 November 2023 that a Purchase of Land Policy should be in place to enable the Council to consider the purchase of land as it becomes available.

2.19 The Council demonstrates good practice by publishing a **Website Accessibility Statement** in accordance with the website accessibility regulations. The Statement includes information about navigating within the website and any areas that are not compliant with the regulations.

2.20 A **Code of Conduct for Councillors** is in place. The Town Council adopted a Code of Conduct, matching the Breckland Council Code of Conduct, at its meeting on 26 July 2012 to meet the requirements of the Localism Act 2011. A copy of the Code has been published on the Council's website. The Local Government Association (LGA) has since published a more up-to-date Model Councillor Code of Conduct 2020 for the purposes of a Council discharging its duty to promote and maintain high standards of conduct within its area.

**Recommendation 5: The Town Council should review and consider adopting as soon as practicably possible the latest model Code of Conduct for Councillors published by The Local Government Association and supported by the National Association of Local Councils (NALC).**

2.21 The NALC also recommends that local councils to consider registering under an official .gov.uk domain name with councillor email addresses linked to that domain name and *wattontowncouncil.gov.uk* is in operation. At its meeting on 13 June 2023 the Council noted that gov.uk email addresses had been set up for Councillors and

all electronic communications to Councillors from the Town Council office would only be sent to the .gov addresses.

**3. Accounting Procedures and Proper Book-keeping (*examination of entries in the Cashbook, regular reconciliations, supporting vouchers, invoices and receipts and VAT accounting*).**

3.1 The **Scribe Accounting System** satisfactorily maintains the Council's Income and Expenditure accounting system. The accounting information is well referenced and overall provides a good audit trail to the supporting documentation. The data recorded provides good evidence in support of the income and expenditure in the year and will act as the basis for the completion of the End-of-Year Accounts and the 2023/24 Annual Governance and Accountability Return (AGAR).

3.2 Comprehensive financial reports are being produced from the Scribe system, both for internal use by staff and for formal presentation to Councillors.

3.3 The adequacy of the financial data presented to Councillors was test checked and confirmed by reference to the Finance Committee meeting agenda on 28 September 2023, when a Bank Reconciliation as at 11 September 2023 and a Four-Year Budget Forecast were considered. Councillors had received up-dated 2023/24 Budget figures prior to the meeting.

3.4 The Internal Audit also focused upon the Scribe accounting system data as at 13 November 2023. The accounting system was confirmed as being up to date. Entries within the system included transactions up to and including 13 November 2023 with a Bank Reconciliation at that date. The monthly Receipts and Payments Reports are produced on a cash basis. At the financial year-end reporting date, adjustments are made for any outstanding debtors, creditors, accruals etc, reversing those at the start of the year. There is a clear audit trail from the underlying financial records to the Accounts, with supporting documentation, held electronically, being in place.

3.5 The Town Clerk and Deputy Town Clerk are principal system administrators to the Scribe system with unrestricted access to all functions. Both operate the core elements of the system, generates reports and make all necessary up-dates to the data held on the system. The Office Support Clerk has limited access to the system.

3.6 As at the time of the examination during the Internal Audit (as at 23 November 2023) the total receipts of £520,598 represented 113% of the budgeted income of £460,005, largely as a result of the Section 106 receipt of £83,165 on 20 October 2023. The total payments of £305,142 represented 66% of the budgeted expenditure.

3.7 VAT payments are tracked and identified within the Scribe accounting system and are being used effectively for reclaims to HMRC. The Council is Registered for VAT purposes. Re-claims for VAT paid are being submitted to HMRC and reimbursement has been received, as follows:

- a) The 2022/23 Quarter 4 re-claim for the £3,349.73 net VAT relating to the period 1 January 2023 to 31 March 2023 was received at bank on 10 May 2023.

b) The 2023/24 Quarter 1 re-claim for the £14,253.08 net VAT paid from 1 April 2023 to 30 June 2023 was received at bank on 17 August 2023.

c) The 2023/24 Quarter 2 re-claim for the £9,963.03 net VAT paid from 1 July 2023 to 30 September 2023 was received at bank on 13 November 2023.

3.8 The Cashbook Payments List and the Receipts List for the 2023/24 year are well referenced within the Scribe system and provides the audit trail to the bank statements.

3.9 The Scribe Payments system was tested by means of examination of a sample of transactions completed in the months of July, September and October 2023. The testing of the items within the sample proved satisfactory.

3.10 The Council's IT systems, including Scribe, are backed up on 'File Cloud' under contract with FLR Spectron to ensure business continuity in the event of IT failure or loss of IT systems.

#### **4. Bank Reconciliation (*Regularly completed and cash books reconcile with bank statements*).**

4.1 The Council uses Unity Trust Bank and Barclays Bank for its banking requirements and internet banking arrangements, with appropriate controls in place. As at 13 November 2023 the Council held the following cash resources:

Unity Trust Bank:	£497,152.25
Barclays Current Account:	£56,800.05
Barclays Premium Account:	£179,939.25
CCLA:	<u>£150,000.00</u>
	<u>£883,891.55</u>

4.2 The Council's Accounts have been reconciled by the Town Clerk to the Bank and Investment Statements as at 13 November 2023. The Internal Auditor examined the Reconciliation and confirmed the balance with the Statements. Bank Reconciliations are carried out for each account on a monthly basis. The Scribe accounting system generates the accounting information to reconcile with the bank statements received/accessed by the Town Clerk.

4.3 The Council's Financial Regulations Item 2.2 provide that '*On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman [or a cheque signatory] shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted by the Finance Committee*'. In order to comply with Item 2.2, the Finance Committee has a standing agenda item to review the latest completed Bank Reconciliation. The Minutes of the Committee record that the Councillor Internal Control Officer checks and signs the reconciliation in confirmation of its accuracy and completeness.

**5. Budgetary controls (Verification of the budgetary process with reference to Council Minutes and supporting documents).**

5.1 The **Budget for 2023/24** was well prepared with detailed estimates of income and expenditure and balances to ensure Councillors had sufficient information to make informed budgetary decisions. The Precept of £408,805 was approved for 2023/24, the increase of 4.3% from the Precept of £391,670 in 2022/23 (representing a 1.78% increase on Band d (£2.50)).

5.2 The estimates for the year 2023/24 are being used effectively for financial control and budgetary control purposes. Scrutiny is performed by the Council's Finance Committee, which receives up-to-date Income and Expenditure figures. The Committee noted at its meeting on 28 September 2023 that Councillors had been presented with update budget figures and the 2023/24 Budget was on track.

5.3 A standing agenda item relating to a Four-Year Budgetary Forecast is also included in meetings of the Finance Committee. The Forecast is reviewed and updated by the Committee as necessary. In addition to Budget information, the Finance Committee receives detailed Finance Reports relating to receipts and payments and bank reconciliations.

5.4 The Town Clerk provides appropriate Budget Monitoring Reports (details of Budget v Actuals Reports and Variance Reports) to the Finance Committee. The Budget Monitoring Reports were examined by the Internal Auditor and they were found to be comprehensive, well-constructed and informative.

5.5 Progress is being achieved towards the construction of the **Budget for 2024/25**. The Finance Committee began detailed consideration of the budget needs at its meeting on 16 November 2023 and, supported by the Town Clerk, will continue to draft proposals which will receive final approval by the Council in January 2024.

5.6 The Town Clerk ensures that the Council and its Finance Committee are made fully aware of specific responsibilities, commitments, forward planning and the need for adequate reserves.

5.7 The Council has a broad **Investment Strategy Policy** document in place. The Policy was considered and approved by the Council at the meeting held on 22 February 2022.

5.8 The Town Clerk confirmed to the Internal Auditor that Earmarked Reserves and the level of General Reserves are reviewed as part of the annual budgeting process. However, the Council does not have a formal **Reserves Policy** in place. In view of the significant level of Reserves being maintained, it is considered that a formal policy be approved as soon as practicably possible.

**Recommendation 6: The Council should construct and approve a Reserves Policy to enable the Council to specify a minimum or maximum level of General Reserves the authority should hold, bearing in mind the best practice guidance is that a council should typically hold between 3 to 12 months expenditure as a General Reserve. Earmarked Reserves should be established on a 'needs' basis in line with anticipated requirements to meet known or**

**planned projects or liabilities. All Earmarked Reserves should be recorded in the Council's Scribe accounting package, including the purpose for which they are held.**

5.9. The Finance Committee noted at its meeting on 10 August 2023 that the Financial Services Compensation Scheme (FSCS) does not apply to the Town Council as its annual budget exceeds the threshold for qualification.

5.10 The level of Overall Reserves currently available to the Council amounted to £883,891 which the Town Clerk confirmed consisted of the following:

Current Year Fund:	£150,000 (for remaining 2023/24 expenditure).
Community Improvement Fund:	£83,500
Section 106 Funds:	£153,165 (consisting of £83.165 in 2023/24 and £70,000 in 2022/23).
Earmarked Reserves:	£135,000 (listed by the Town Clerk, yet to be formally approved by the Council).
General Reserve:	£362,226

5.11 The General Reserve of £362,226 is in accordance with the Best Practice guidance for a General Reserve (to be equivalent to between 3 to 12 months of net revenue expenditure).

**6. Internal Financial Controls, Payments Controls and Audit Procedures (Confirmation that the Council has satisfactory internal financial controls in place for making payments with adequate documentation to support/evidence payments made. Any previous audit recommendations implemented).**

6.1 The Town Clerk provides comprehensive financial and other reports to Council and Finance Committee meetings and ensure that Councillors are provided with adequate financial information and advice to enable them to make informed decisions. The Finance Committee undertakes regular and detailed scrutiny of financial matters. The Committee's Minutes and Reports are received by the Full Council which, in turn, provides oversight on all financial control matters. This provides for a robust and effective financial control framework.

6.2 At each meeting the Full Council receives and approves a List of Payments. However, the List is not included in the Minutes of the meeting or as an appendix to the Minutes.

6.3 . Financial Regulations item 5.2 provide that '*A detailed list of all payments shall be disclosed within or as an attachment to the Minutes of the meeting at which payment was authorised. Personal payments (including salaries, wages etc.) may be summarised to remove any personal information*'.

**Recommendation 7: To secure transparency in its financial operations, and to comply with the Council's Financial Regulations 5.2, the Council should**



**disclose within its Minutes or as an attachment to its Minutes a detailed list of all payments.**

6.4 The Local Government Transparency Code 2015 provides that a parish/town council which has gross annual income or expenditure (whichever is the higher) exceeding £200,000 must publish (inter alia) details of each individual item of expenditure that exceeds £500. This includes items such as individual invoices, grant payments, expense payments and payments for goods and services. Individual salary payments are not to be included. Publication should be made quarterly and, on each occasion, not later than one month after the quarter to which the data and information refers.

**Recommendation 8: The Council should publish on its website details of each individual item of relevant expenditure that exceeds £500 in order to comply with the Transparency Code 2015.**

6.5 The requirement under the Transparency Code can be met by the Scribe List of Payments being published on the Council's website.

6.6 The procedure in place for payment authorisation provides that the Town Clerk and the Assistant Town Clerk will receive/review an invoice or demand for payment prior to its submission electronically to two Councillors who are requested to email their approval to the Town Clerk for the payment to proceed.

6.7 Many local councils have internet banking procedures in place that require a final electronic authorisation by a Councillor before payment is released to secure a level of protection to the Clerk and to secure an additional layer of financial control.

**Recommendation 9: The Council should look to bring into effect a procedure whereby the Town Clerk initiates the payment, which is then authorised electronically by a Councillor to release the payment. This will secure an added level of control and security over the existing arrangements for payment.**

6.8 Payments from the Council's bank accounts are normally made through on-line banking or direct debits. However some cheques have been prepared in the year. The Council's Financial Regulation 6.5 states *'To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, the signatories shall each also initial the cheque counterfoil'*. This is not being performed by the signatories in many cases.

**Recommendation 10: Cheque Signatories should initial the cheque counterfoil of the cheque payment approved in every case in order to maintain the Council's financial control framework and to meet the requirements of Financial Regulation 6.5**

6.9 The detailed End-of-Year Internal Audit Report for 2022/23 was completed by Accounting Solutions Ltd and was received by the Council on 13 June 2023. No matters were raised which required a formal comment or recommendation.

6.10 The Council considered and approved the End-of-Year Annual Governance and Accountability Return Part 3 (AGAR) for the year 2022/23 (Sections 1 and 2) at its meeting on 13 June 2023.

6.11 The Internal Auditor for the year 2023/24 was appointed by the Council at its meeting on 22 August 2023 (Minute 7.3 refers) following a recommendation from the Finance Committee meeting on 10 August 2023. The Internal Auditor was charged to undertake an Interim Internal Audit and an End-of-Year Internal Audit during the 2023/24 year of account.

**7. Payroll Controls (PAYE and NIC in place; compliant with HMRC procedures; records relating to contracts of employment).**

7.1 The Council's Payroll Services are being operated under contract by CBR Business Solutions in accordance with HMRC regulations. Regular payments have been made to HMRC and detailed pay slips are provided to staff electronically for them to view/print as required.

7.2 It was noted that new posts of Community Hub Caretaker and Community Projects Officer have been established since the beginning of the 2023/24 year of account. The Council agreed on 25 July 2023 that the post of Community Project Officer was to be filled by a current member of staff. Similarly at its meeting on 8 August 2023 the Council accepted the recommendation from the HR Committee regarding the appointment of a Community Hub Caretaker.

7.3 At the meeting on 24 October 2023 the Council agreed the HR Committee's recommendation and approved the additional 2 hours per week of the Administration Clerk to cover staff absence.

7.4 At the meeting on 28 November 2023 the Council agreed the recommendation of the Finance Committee and approved the employment of a Full-time Events and Marketing Officer and a second Full-Time Town Operative.

7.5 At its meeting on 26 February 2023 the Council nominated a Councillor to undertake a periodic independent check of the payroll (e.g. following the implementation of a national pay award or incremental increases in salaries of individual members of staff). The Town Clerk advised the Internal Auditor that the nominated Councillor is due to check the Payroll at meetings of the Finance Committee but this has only been done on one occasion.

**7.6 As part of the Internal Audit coverage, the Internal Auditor examined the Staff Payroll for November 2023 which included backdated salary payments due to the Council's staff under the recently agreed national pay award for local government officers (to apply from 1 April 2023), The Internal Auditor identified that the Payroll Services Provider had incorrectly calculated arrears of pay to the Council's staff (only 6 months Back Pay instead of 7 months). The Town Clerk is to arrange for staff to be paid the 1 month Back Pay still owed to them in the December payroll.**

**7.7 The above issue demonstrates the importance of the review work of the nominated Councillor who verifies staff salary payments and the overview of the work of the Payroll Services Provider by the Town Clerk.**

7.8 The Council's LGPS Pension Policy/Statement was reviewed and approved by the Council at its meeting on 15 November 2016 and a copy has been published on the website. The necessary declaration of compliance has been submitted to the Pensions Regulator and a re-enrolment date of 15 August 2022 was confirmed by the Internal Auditor. (The re-declaration of compliance confirms to the Pensions Regulator that the Council complies with its duties as an employer and has to be completed every three years).

7.9 Other staffing policies include an Appraisal Policy, Disciplinary and Grievance Policies, Equality Policy, Health & Safety Policy, Lone Working Policy, Sickness and Absence Policy and Training & Development Policy.

**8. Petty Cash and use of Payment Cards/Credit Cards (*Associated books and formally agreed systems in place*).**

8.1 The Council does not hold a Petty Cash Account (The Internal Auditor is charged to examine any Petty Cash accounting controls as part of the Annual Governance and Accountability Return (AGAR) certification work).

8.2 A Lloyds Commercial Credit Card is in use, solely by the Town Clerk. Financial Regulations items 6.18 to 6.20 provide an outline of the controls to be exercised over the use of a Debit/Credit Card, the use of which is confirmed as being specifically restricted to the Town Clerk/RFO. The Council agreed at its meeting on 14 November 2023 to increase the expenditure limit on a single transaction from £500 to £1,000 on the Lloyds Commercial Credit Card unless authorised by the Council or the Finance Committee before any order is placed.

8.3 The Credit card transactions are recorded within the Scribe accounting system.

8.4 The operation of Debit/Credit cards will be examined at the End-of-Year Internal Audit in order that appropriate certification can be given in the Annual Internal Audit Report within the 2023/24 AGAR.

**9. Income Controls (*regarding sums received from Precept, Grants, Loans and other income including credit control mechanisms*).**

9.1 The Town Clerk confirmed to the Internal Auditor that reports upon income received are made to meetings of the Council as well as the listing of Payments for approval.

9.2 The Council's Financial Regulations (item 9.3) require the Council to review all **Fees and Charges** at least on an annual basis. In this respect, at the Council meeting on 26th February 2023 it was agreed that there would not be any increase in any of the fees and charges for 2023/24.

### 9.3 Allotment Rents:

The Council has two allotments sites. The site at Church Road, adjacent to the cemetery, is owned by the Council and the Thetford Road site, adjacent to the Tesco store, is leased until 2028.

Records are held for both sites, with the allotment year running from 1 October to 30 September each year. The Council agreed at its meeting on 14 November 2023 to increase the annual allotment fee to £25 from 1 April 2024.

As at the time of the Internal Audit, the Allotments income stood at £682 (97% against a budget of £700 for the year 2023/24).

The Internal Auditor reviewed the administration of the allotments with the Deputy Town Clerk and confirmed the procedures in place, including the follow up action taken for any outstanding fees. Electronic data is held for both allotment sites listing the Plot Number, Name of Plot Holder, completion of GDPR Form, Invoice reference, Amount Due/Paid, Date Paid and Method of Payment.

### 9.4 Cemetery Fees and Charges:

The Council agreed on 14 November 2023 to raise cemetery fees by 10% from 1 April 2024.

The Register of Burials and Interments is maintained manually and the information is held within electronic records held for burials, cremations and memorials. The Transaction List for Burials is maintained in the Scribe Accounting System and provides detailed information regarding each transaction, amount and date the income was received, the receipt reference and the cost centre reference.

As at the time of the Internal Audit the Cemetery Fees income stood at £18,970 (94% against a budget of £20,000 for the year 2023/24).

The Internal Auditor reviewed the administration of the Cemeteries with the Deputy Town Clerk and confirmed the procedures in place, including the follow up action taken for any outstanding fees.

The Internal Auditor examined a sample of transactions with the Town Clerk and Deputy Town Clerk and confirmed that invoices raised were in accordance with the current fees and charges and that payments were received on a timely basis.

### 9.5 Market Traders:

The Council resolved on 14 November 2023 to reduce the fees for the weekly market by half for an initial 6 months starting from 1 December 2023. (small pitch to be free of charge, medium pitch to be £10 and large pitch to be £15).

The Internal Auditor reviewed the administration of the weekly market with the Deputy Town Clerk and confirmed the procedures in place, including the follow up action taken for any outstanding fees.

At the time of the Internal Audit the Market Rents income stood at £2,200 (55% against a budget of £4,000 for the year 2023/24).

**10. Internal Control and the Management of Risk (Review by Council of the effectiveness of internal controls, including risk assessment, and Minuted accordingly).**

10.1 A comprehensive **Risk Assessment/Risk Management Plan** is in place and was considered and accepted by the Council at its meeting on 14 November 2023 (Minute 7 refers) . The Plan identifies the risks under the main headings of Financial and Management and Physical Equipment/Areas, details the nature of the risk and grades the risk as H, M or L, details of the Internal Control arrangements in place to provide that the risk is managed/controlled with supporting explanations and notes.

10.2 It is considered that the Council has accordingly complied with the Accounts and Audit Regulations 2015 (Section 4) which require a review by the Full Council at least once a year of the effectiveness of the Council's system of internal control, including the arrangements for the management of risk, with the review suitably Minuted.

10.3 Many Councils evidence compliance with the Accounts and Audit Regulations 2015 (Section 4) through the adoption of an Internal Control Policy or an Internal Control Statement which documents the internal control mechanisms the Council has in place to manage risks and potential threats. The Internal Auditor has provided the Town Clerk with a copy of model documents.

**Recommendation 11: The Council should consider adopting an Internal Control Policy or Internal Control Statement which will assist the Council in applying Best Practice in identifying the range of internal controls in place and assist the Council in evidencing compliance with the Accounts and Audit Regulations 2015 (Section 4)**

10.4 The Council has a Councillor Internal Control Officer in place, the Councillor having been appointed at the meeting on 13 June 2023, but the duties undertaken are currently extremely limited and only cover examination of bank reconciliation (see item 2.8 above and Recommendation 2).

10.5 **Insurance** is currently in place under a Long-Term Agreement with BHIB ending on 31 May 2025. For the period from 1 June 2023 to 31 May 2024 the premium paid for the main policy for the year was £3,726.33. The Council's Employer's Liability cover and Public Liability cover each stand at £10m.

10.6 The Fraud and Dishonesty (Fidelity Guarantee – Councillor and/or Employee Dishonesty) cover stands at £250,000. This is significantly below the current recommended guidelines which provide that the Fraud and Dishonesty cover should be at least the sum of the year-end cash/investment balances plus 50% of the precept/grants. The cover should reflect the maximum amount of cash/invested

resources held by the Council at any one time (as at 13 November 2023 the amount of cash/invested resources totalled £883,891).

**Recommendation 12: The Council should advise the Insurers of the current cash/invested resources position and look to raise the current level of Fidelity Guarantee (Councillor/Employee Dishonesty) insurance cover to reflect the maximum amount of cash/invested resources held by the Council at any one time to meet current recommended guidelines.**

10.7 An important area of risk management within local councils concerns the adequate **maintenance of play equipment**. In this respect the Council is responsible for over-seeing the maintenance and management of its 4 play areas and for ensuring that independent RoSPA play inspections are completed annually and are designed to highlight any issues that may need to be addressed to ensure the on-going safety of users. At its meeting on 10 October 2023 the Council resolved to undertake the necessary repairs at the Sports Centre Play Area and undertake the recommended maintenance work as outlined in the Annual RoSPA Inspection Report for that site.

10.8 Regular weekly health and safety checks of the play areas are undertaken by the Town Operative or otherwise by the Deputy Town Clerk (both of whom have received appropriate health and safety training) with the results reported to the Town Clerk. The Annual Inspections of the play areas are undertaken by Wicksteed Leisure.

10.9 In addition, at its meeting on 22 August 2023 the Council agreed that the Lead Councillor for Youth should compile a play area policy for consideration by the Council and undertake play area inspection training (which the Town Clerk confirmed has now been undertaken).

10.10 A Health and Safety Policy is in place, the Council having considered and approved the Policy at its meeting on 12 October 2021. The Town Clerk confirmed to the Internal Auditor that the Policy is currently due for updating and review.

**11. Assets Controls (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).**

11.1 An Asset Register is in place and is maintained within the Scribe Accounting System.

11.2 At the time of the Internal Audit the Register recorded total assets at a current value of £1,187,891 (unchanged from the value as at 31 March 2023).

11.3 The Town Clerk confirmed that the Register has still to be brought up to date with items acquired since 1 April 2023 and has yet to be reviewed by the Finance Committee and the Council for the year 2023/24.

11.4 The Register records a description of each asset owned by the Council, its location and both purchase value (where known) and current value. A nominal £1

value is attached to community assets, including the Clock and Clock Tower, Cemetery, Cemetery Allotments, Memorial Garden and the Lovell Garden Play Area.

11.5 The Register will be reviewed by the Internal Auditor in detail at the End-of-Year Audit in May/June 2024 to confirm that it is up-to date and that it complies with current requirements (which provide that each asset should be recorded on a consistent basis, year-on-year) and in order that appropriate certification can be made in the Annual Internal Audit Report in the AGAR.

11.6 It is good financial practice to compare the list of Assets to the insurance schedule on an annual basis in order to ensure that all assets receive appropriate cover. Many larger Councils formally charge their Finance Committee to undertake that duty annually under their risk management and compliance responsibilities. The Council's Asset Register will need to be examined during consideration of the insurance renewal which takes effect from 1 January 2024.

**Recommendation 13: The Asset Register should be brought up to date as soon as practicably possible. The Register should then be compared to the Council's insurance documents to ensure that adequate insurance cover is in place.**

**12. Sole Trustee (To confirm that the Town Council has met its responsibilities as a trustee).**

12.1 The Council has **Sole Trustee responsibilities for the Charlotte Harvey Trust (Registration no. 304104).**

12.2 The Charity Commission's website confirms the Trust was registered in April 1968 with a Governing Scheme dated March 2008 as a Youth and Community Centre with various sized rooms which are hired to groups of all ages and all organisations. The Town Council is named as the Sole Trustee as from 26 March 2008. The Charity Commission records the Annual Update for the year ending 31 March 2022 as being received on 22 June 2022, within the required timescale.

12.3 The Internal Auditor examined the ways in which the Council demonstrated the meeting of its Sole Trustee responsibilities in order that suitable confirmation could be made in the AGAR for 2023/24. The Town Clerk confirmed that the Trustees meet, as required, for a half-hour before the commencement of a Town Council meeting. The Council has appointed a Management Committee to administer the Trust's affairs and directly employs staff working for the Trust.

12.4 The Town Clerk also confirmed that the Trust's Annual Accounts are presented to the Town Council and that an insurance policy is held by the Trust, separate to that held by the Town Council.

**13. External Audit (*Recommendations put forward/comments made following the annual review*).**

13.1 The **Certificate and Report from the External Auditors** PKF Littlejohn LLP for the previous year (2022/23) was dated 5 September 2023. There were no matters of concern raised by the External Auditors.

13.2 The Report and Certificate were reported to the Council on 26 September 2023 with confirmation that the External Audit Certificate (Part 3 of the Annual Governance and Accountability Return) had been posted on the Council's website and on the Council's Notice Boards.

**14. Publication Requirements.**

14.1 Under the Accounts and Audit Regulations 2015 authorities must publish each year by 1 July the following information on a publicly accessible website:

- Notice of the period for the Exercise of Public Rights
- AGAR Section 1
- AGAR Section 2.

14.2 The Council set the period of 14 June 2023 to 28 July 2023 for the Exercise of Public Rights.

14.3 It was noted that the Notice of the period for the Exercise of Public Rights was published on 21 June 2023 which was subsequent to the commencement date of 14 June 2023. The Internal Auditor was similarly unable to confirm that Sections 1 and 2 of the AGAR had been published by the required date of 1 July 2023.

**Recommendation 14: The Council should ensure that in future years the publication of documents on the Council's website are completed by 1 July in accordance with the requirements of the Accounts and Audit Regulations 2015.**

14.4 Following the completion of the External Audit, the Regulations provide that the authority must publish on its website no later than 30 September each year:

- The Notice of Conclusion of Audit
- AGAR - Section 3 (the External Audit Report and Certificate)
- AGAR - Sections 1 and 2 (to display any amendments as a result of the Limited Assurance Review).

14.5 The Internal Auditor confirmed that the requirements of the Accounts and Audit Regulations 2015 that the documents must be published by 30 September had been met.

14.6 At the time of the audit the Council was not meeting the publication requirements of the Local Government Transparency Code 2015, which provides that larger parish/town councils which have gross annual income or expenditure



(whichever is the higher) exceeding £200,000 must publish details of each individual item of expenditure that exceeds £500 (See Recommendation 8 at item 6.4 above).

**15. Additional Comments.**

15.1 I would like to record my appreciation to Jane Scarrott (Town Clerk and the Council's Responsible Financial Officer) and Michelle Thompson (Deputy Town Clerk) for their assistance and support during the course of the audit work.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**5 December 2023**

## APPENDIX A

**For ease of reference the Recommendations included in the Interim Internal Audit Report are listed as follows:**

Recommendation 1: The Council should consider constructing a 4-Year Business Plan as a fluid, dynamic document in order to facilitate the meeting of the agreed overall strategic objectives. The Plan would set out overall objectives and priorities for achievement. This closely focussed, medium-term Strategic Plan would be supported by the existing 4-Year Financial Forecast and inform the direction of detailed Action Plans which would sit beneath the higher-level documents and assist in monitoring the progress in meeting the agreed strategic objectives.

Recommendation 2: The Council should expand the role and responsibilities of the nominated Councillor Internal Control Officer. A check list should be constructed to evidence completion of Quarterly Checks of systems, spot checks of payments, processes, transaction testing for reporting to the Finance Committee and the Council.

Recommendation 3: In the interests of transparency and for the benefit of the local community, the Council should always ensure that Minutes of Council and Committee meetings are publicly available, and published on the Council's website, as soon as practicably possible after each meeting. (Many Councils publish in Draft Form and later in Confirmed Form after eventual approval by the Council or Committee concerned).

Recommendation 4: Consideration should be given by the Council to the publication of Papers attached to each Agenda item, where appropriate, to inform and assist local residents and other members of the public regarding the items to be considered by Councillors at the meetings.

Recommendation 5: The Town Council should review and consider adopting as soon as practicably possible the latest model Code of Conduct for Councillors published by The Local Government Association and supported by the National Association of Local Councils (NALC).

Recommendation 6: The Council should construct and approve a Reserves Policy to enable the Council to specify a minimum or maximum level of General Reserves the authority should hold, bearing in mind the best practice guidance is that a council should typically hold between 3 to 12 months expenditure as a General Reserve. Earmarked Reserves should be established on a 'needs' basis in line with anticipated requirements to meet known or planned projects or liabilities. All Earmarked Reserves should be recorded in the Council's Scribe accounting package, including the purpose for which they are held.

Recommendation 7: To secure transparency in its financial operations, and to comply with the Council's Financial Regulations 5.2, the Council should disclose within its Minutes or as an attachment to its Minutes a detailed list of all payments.

Recommendation 8: The Council should publish on its website details of each individual item of relevant expenditure that exceeds £500 in order to comply with the Transparency Code 2015.

Recommendation 9: The Council should look to bring into effect a procedure whereby the Town Clerk initiates the payment, which is then authorised electronically by a Councillor to release the payment. This will secure an added level of control and security over the existing arrangements for payment.

Recommendation 10: Cheque Signatories should initial the cheque counterfoil of the cheque payment approved in every case in order to maintain the Council's financial control framework and to meet the requirements of Financial Regulation 6.5

Recommendation 11: The Council should consider adopting an Internal Control Policy or Internal Control Statement which will assist the Council in applying Best Practice in identifying the range of internal controls in place and assist the Council in evidencing compliance with the Accounts and Audit Regulations 2015 (Section 4)

Recommendation 12: The Council should advise the Insurers of the current cash/invested resources position and look to raise the current level of Fidelity Guarantee (Councillor/Employee Dishonesty) insurance cover to reflect the maximum amount of cash/invested resources held by the Council at any one time to meet current recommended guidelines.

Recommendation 13: The Asset Register should be brought up to date as soon as practicably possible. The Register should then be compared to the Council's insurance documents to ensure that adequate insurance cover is in place.

Recommendation 14: The Council should ensure that in future years the publication of documents on the Council's website are completed by 1 July in accordance with the requirements of the Accounts and Audit Regulations 2015.