



Helen Carrier
Swaffham Town Council
Town Hall
4 London Street
Swaffham
Norfolk
PE37 7DQ

23rd May 2024

Dear Helen

**Re: Swaffham Town Council
Internal audit for year ending 31st March 2024 – Internal Audit report**

Executive summary

Following completion of my visit to Swaffham on 25th September 2023 plus additional checking of website and documents plus remote access to the accounting system I enclose my internal audit report for your attention and presentation to the council. The audit was conducted in accordance with current practices and guidelines. Whilst I have not tested all transactions, my samples have covered the entire year.

My report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified. The report concludes with an opinion as to whether each assertion has been met or not at the interim audit. Where appropriate, recommendations for action are shown in bold text and are summarised in the table at the end of the report.

My sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, nor did I identify any significant weaknesses in the internal controls such that public money would be put at risk.

I see that the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore my opinion that the systems and internal procedures at Swaffham Town Council are at present adequate and followed appropriately.

Swaffham Town Council has experienced some personnel changes due to their previous, longstanding clerk retiring. The current clerk began at Swaffham TC in April 2022 as deputy clerk and became town clerk in July 2023. The current deputy clerk began at Swaffham TC in June 2023.

My one concern is the Barn Complex. This was purchased on 28th September 2021 and appears to be an issue where there is a significant possibility that costs will not be recouped. Recent activity to lease out the Complex to an external organisation has not been successful and the Complex continues to be a drain on public resources.

Regulation

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

The function of the internal audit is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily. The internal audit reports should therefore be made available to all members of Swaffham Town Council to support and inform them when they are considering the authority’s approval of the annual governance statement.

Independence and competence

Your audit was conducted by J. Miller through the Norfolk Association of Local Councils (Norfolk ALC). We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor nor the Association have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor is CiLCA-qualified and a chartered management accountant.

Planning and inherent risk assessment

My work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR. As part of the inherent risk assessment, I have concluded that:

- There have been no reported instances of serious breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is my opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be “walk through testing” on sample data to encompass the period of the council year under review.

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A	Appropriate accounting records have been kept	Y
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G	Payroll	Y
H	Assets and investments	Y
I	Bank and cash	Y
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K	Limited assurance review	N/A
L	Transparency	Y
M	Exercise of public rights – inspection of accounts	Y
N	Publication requirements for previous year	Y
O	Trust funds	N/A

This report has been prepared for the sole use of Swaffham Town Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Norfolk Association of Local Councils to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

A. APPROPRIATE ACCOUNTING RECORDS HAVE BEEN KEPT

Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

Audit findings

The internal audit was conducted on site with the Clerk, who also acts as the council's Responsible Financial Officer (RFO) plus the assistant clerk and finance administrator, along with remote access to the Council's accounting system. The staff listed had prepared the information advised in advance of the visit, and I have the impression that accounting records are neatly maintained and easily accessible. Other information was reviewed through discussion with the Clerk and a review of the council website www.swaffhamtowncouncil.gov.uk.

The council uses Scribe accounting software for recording the day-to-day financial transactions of the council. This is an industry specific package and we make no recommendation to change. The system is used regularly to record transactions and produce management information reports for review at council and committee meetings.

Agendas, reports and minutes for meetings are clear and concise, and decisions are clearly recorded. There is evidence of sufficient information being provided to councillors to allow them to make informed financial decisions, and overall I have the impression that the processes, policies and systems of the council are effective.

However, it is noted that there was a £92 difference between the accounts at the end of the 2022-23 financial year and the figure reported on the AGAR. This figure has been corrected and re-stated on the accounting statements for 2023-24.

B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

Internal audit requirement

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

Audit findings

Check the publication and minuting of the prior year audited AGAR and notice of conclusion of audit.

The external auditor's report for 2022-23 states that there was a "lack of detailed independent scrutiny of bank reconciliations by a Council member". However, apart from this, there were no other issues.

I note that internal audit reports are also published on the council website, and it is clear the council understands the importance of the audit regime.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that councillors sign "Acceptance of Office" forms. The council website provides details of councillors and includes a link to each of their Register of Interests Forms.

Confirm that the council is compliant with the relevant transparency code

As the council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so. A review of the council website shows that the council is following the spirit of the code by publishing the required information.

Confirm that the council is compliant with GDPR

The council is fully aware of GDPR. It is noted that councillor e-mail addresses are all managed by Swaffham Town Council.

Establishing common email addresses is recommended because it gives a natural demarcation between council and personal lives, making it clear beyond doubt in what capacity a councillor is acting. In addition to this it gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.

The council has a Privacy Notice on the home page of its website and a Website Accessibility Statement on its home page.

Confirm that the council meets regularly throughout the year.

In addition to full council, the council has a committee structure in place. A future meeting diary is available on the council website, along with historic agendas, reports and minutes for each council and committee meeting.

Terms of reference for committees are included in the Council's Standing Orders. Swaffham TC also have a Committee Structure Terms of Reference policy to further aid the functioning of committees.

Check that agendas for meetings are published giving 3 clear days' notice.

The Clerk was able to demonstrate that at least 3 clear days' notice is given on agendas. Whilst we have not tested every single committee and council meeting there was no

evidence of non-compliance in giving three clear days' notice of the meeting. I note that a report is published for each meeting containing supporting non-confidential background information on agenda items. This conforms with the requirements of the Information Commissioner's Office (ICO).

Check the draft minutes of the last meeting(s) are on the council's website.

Draft minutes are uploaded to the council website and clearly marked as unconfirmed until adoption at the next meeting.

Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months.

The Standing Orders are based on the current NALC model and were most recently reviewed and adopted by council on 13th March 2024 (minute ref 190/23).

Confirm that the Parish Council has adopted and recently reviewed Financial Regulations.

Financial Regulations are based on the current NALC model and were last reviewed and on 22nd April 2024 (minute ref FIN11/24). The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council. Updated model financial regulations have recently been issued by NALC and these will be put forward to be adopted by the Council soon.

Check that the council's Financial Regulations are being routinely followed.

The council has thresholds in place at which authorisations to spend must be obtained as below:

FR 4.1 Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. The authority to amend an approved budget is to be determined by

- the council for all items over £5,000.
- a delegated committee for items over £1,000.
- the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee for items up to £1,000.

Such authority is to be evidenced by a minute or by an authorisation slip duly signed by the Clerk and the appropriate Chairman.

Contracts may not be disaggregated to avoid controls imposed by these regulations.

FR 4.5 In cases of extreme risk to the delivery of council services, the RFO may authorise revenue expenditure on behalf of the council which in the RFO's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £1,000 (the Deputy Town Clerk similarly has a provision of £500). The Clerk shall report such action to the chairman as soon as possible and to the council as soon as practicable thereafter.

Based on the level of financial activity of the council, these authorisation thresholds appear appropriate, although the council may wish to consider increasing the Clerk authorisation level based on the size of the council and the Clerk's experience level.

I tested a random sample of forty invoices with a total value of £140,650.04 including VAT. Thirty four of these were approved at full council meetings and recorded in the minutes; six, with a total value of £2,169.59 including VAT, were not approved at full council meetings but were within the thresholds for spending by the Clerk.

I reviewed the nominal ledger report for the current financial year. Sufficient narrative is provided for entries to adequately identify their source, and amounts appear to have been allocated to the correct nominal codes. There is no evidence of 'netting-off' of income against expenditure, and the information reviewed points to a satisfactory system.

Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £9.93 per elector.

The council has adopted the General Power of Competence (GPC) so the thresholds do not apply.

Check receipt of VAT refund matches last submitted VAT return.

The council submits its VAT return on a quarterly basis. The most recent submission was for the period 1st January to 31st March inclusive and showed a refund amount due of £7,175.43. Whilst this figure is not yet on Scribe, I checked the two previous VAT returns to confirm receipt of payments.

Confirm that checks of the accounts are made by a councillor.

The system noted above details internal review takes place and I am under no doubt that council properly approves expenditure. However, minuting of this could make more explicit the fact that a particular councillor verifies the accounts and bank reconciliation.

C. RISK MANAGEMENT AND INSURANCE

Internal audit requirement.

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

Audit findings.

The council has an adopted Town Council Risk Assessment in place, which was most recently reviewed and approved by council at the meeting held on 17th May 2023 (minute ref 12.3)

The assessment considers different types of risk, the likelihood and impact of the risk and assigns an overall low/medium/high risk rating, considers the people at risk, details the existing controls and lists any action required. From my review, the assessment includes most the risks you would normally associate with a council of this size. I would consider it appropriate, however, to (1) go into more detail on some areas and (2) provide wider headings in the risk schedule within which to break up the areas of analysis (e.g. physical assets split up into different assets such as the Barn Complex, Town Hall, and so on).

I confirmed that the council has a valid insurance policy in place with Zurich which was renewed in May 2024. The policy includes Public Liability cover of £15 million, Employers Liability cover of £10 million, Hirers' Liability cover of £2 million and Fidelity Liability cover of £500,000. The levels of insurance appear suitable for a council of this size.

D. BUDGET, PRECEPT AND RESERVES

Internal audit requirement

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

Audit findings

The council set a precept of £594,621.51 for 2024-25.

The precept demand for the year 2024-25 was set at the Finance meeting on 22nd January 2024. It is noted that this was a meeting where all council members were summoned to attend. Consequently, this meeting involved full council.

There is evidence within the minutes of meetings that detailed financial information is presented to appropriate meetings, and this would appear to support councillors in making informed decisions.

The current clerk has confirmed to me that budget monitoring has not been undertaken as robustly as it could have been. However, I was informed that this issue is to be addressed. Any budget monitoring which occurs needs to be appropriately minuted.

According to the Scribe accounts, on 31st March 2024 the council held £407,624 in earmarked reserves and £183,923 in capital reserves.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide states 'the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure' (para 5.33).

One issue with budgeting appears to be the forecast that the Council would receive a lump sum from the sale of the Day Fields site for development. So far, this has not materialised and this should not be relied upon in the budget to fill any gaps.

As a consequence of the budgeting for the year 2023-24, the Council has experienced an overdraft on its current account before the second instalment of the precept. As a consequence of this, the Council has increased the precept for the year 2024-25 and has introduced a reserves policy with the aim of avoiding going into overdraft again.

E. INCOME

Internal audit requirement

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Audit findings

Apart from the precept, the council budgets to receive income from other sources such as burials, the market, and allotments. The precept is the largest income for Swaffham TC

From my review of the Scribe records, income is recorded with sufficient narrative to clearly identify the source, appears to be posted to the correct nominal codes and I found no evidence of 'off-setting' of income against expenditure.

F. PETTY CASH

Internal audit requirement

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.

Audit findings

The council maintains a petty cash float with a maximum balance of approximately £400 which is used for incidental expenditure. The amount of petty cash is inconsequential to the overall finances of the council.

I reviewed the spreadsheet entries for March 2024. This included eleven entries totalling £74.45.

I am satisfied that petty cash is managed appropriately.

G. PAYROLL

Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

Audit findings

Payroll services are provided by Stephenson Smart, who complete the PAYE, NI and pension deduction calculations.

Swaffham Town Council makes the BACS payments for salaries and to the HMRC and the pension provider.

I reviewed the salaries file and was able to confirm that based on the tax code information on the pay slips, deducted amounts appear correct. There are ten staff roles at the Council. I was able to confirm the Clerk's salary and Deputy Clerk's salary to the NJC scale.

I remind the Clerk that only salary, HMRC and pension payments should be included in box 4 on the Annual Governance and Accountability Return (AGAR) and any other staff costs should be recorded in box 6.

H. ASSETS AND INVESTMENTS

Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

Audit findings

The council has a fixed asset register in place, which provides a description of the asset, its date of acquisition, purchase value or proxy cost, and insurance value. There is space on the register to record disposal dates where applicable and for any additional supporting notes.

I checked the asset register at the end of the year and found that the amount was different to the amount on the accounting statements for the year. I contacted the deputy clerk regarding this and was informed that the amount on the accounting statement is incorrect and will be corrected to agree with the asset register before being presented to council.

At the start of the financial year, the council had four PWLB loans. One of these has been paid off in full during the year, leaving three PWLB loans with a year-end total balance of £57,516.

I. BANK AND CASH

Internal audit requirement

Periodic and year-end bank account reconciliations were properly carried out.

Audit findings

The process for bank reconciliations is contained within the council's adopted Financial Regulations.

FR 2.2 states 'On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman of the Council 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 as evidence of verification. This activity shall on conclusion be reported, including any exceptions, to and noted at a quarterly Finance meeting.'

This has been carried out. The last time this occurred was at the Finance meeting on 22nd April 2024 (minute ref. FIN7/24).

J. YEAR END ACCOUNTS

Internal audit requirement

Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

Audit findings

I can confirm that Swaffham TC are using the correct accounting basis (income & expenditure method) for their accounts.

K. LIMITED ASSURANCE REVIEW

Internal audit requirement

Not relevant.

Audit findings

Not relevant.

L: TRANSPARENCY

Internal audit requirement

If the authority has an annual turnover not exceeding £25,000, it publishes information on a website / webpage up to date at the time of the internal audit in accordance with the Transparency Code for Smaller Authorities

Audit findings

Though Swaffham TC is above the threshold, it recognises the importance of openness and transparency and consequently publishes information accordingly.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

The authority has demonstrated that during summer 2023 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Audit findings

Inspection – key dates	2022-23 Actual
Date AGAR signed by council	5 May 2023
Date inspection notice issued	1 June 2023
Inspection period begins	6 June 2023

Inspection period ends	15 July 2023
Correct length (30 working days)	Yes
Common period included (first 10 working days of July)	Yes

I am satisfied the requirements of this control objective were met for 2022-23, and assertion 4 on the Annual Governance Statement can therefore be signed off by the council.

N: PUBLICATION REQUIREMENTS

Internal audit requirement

The authority has complied with the publication requirements for 2022-23. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2023 authorities must publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited
- Section 1 - Annual Governance Statement 2022-23, approved and signed, page 4
- Section 2 - Accounting Statements 2022-23, approved and signed, page 5

Not later than 30 September 2023 authorities must publish:

- Notice of conclusion of audit
- Section 3 - External Auditor Report and Certificate
- Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

Audit findings

I was able to confirm that the Notice of Public Rights is published on the council website, along with the Notice of Conclusion of Audit. However the Notice of Conclusion of Audit was not published before 30th September 2023, appearing in October. Consequently the publication requirements for 2022-23 have not been met.

O. TRUSTEESHIP

Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

Audit findings

The council has no trusts.

Achievement of control assertions at interim audit date

Based on the tests conducted during the interim audit, our conclusions on the achievement of the internal control objectives are summarised in the table below. A further review and update of this opinion will be conducted at the final audit.

	INTERNAL CONTROL OBJECTIVE	Yes	No	Not covered
A	Appropriate accounting records have been properly kept throughout the financial year	Y		
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.	Y		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Y		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.		N	#
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Y		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.	Y		
G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	Y		
H	Asset and investments registers were complete and accurate and properly maintained.	Y		
I	Periodic bank account reconciliations were properly carried out during the year.	Y		
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	Y		

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K	If the authority certified itself as exempt from a limited assurance review in 2022-23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022-23 AGAR tick “not covered”)			N/A
L	The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.	Y		
M	The authority, during the previous year (2022-23) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).	Y		
N	The authority has complied with the publication requirements for 2022-23 AGAR.		N [∞]	
O	Trust funds (including charitable) – The council met its responsibilities as a trustee.			N/A

[∞] Due to Notice of conclusion of audit not being published before 30th September.

My concern regarding this objective is the level of reserves, particularly general reserves. General reserves at the end of the year were not at an appropriate level for a council of this size.

Should you have any queries please do not hesitate to contact me.

Yours sincerely

J. Miller

For Norfolk Association of Local Councils

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Audit Point	Audit Findings	Council comments
Risk management	I advise wider headings followed by a more detailed analysis of risk especially with regard to property, e.g. Barn Complex (broken down into various risks; Town Hall broken down into various risks, etc).	
Barn Complex	An action plan is needed (advised that one is to be circulated to councillors soon), plus I advise setting up a separate committee to focus on the Barn Complex.	
Publication of documents	Notice of conclusion of audit needs to be published on the Swaffham TC website before 30 th September.	
Budgeting	Budgeting for the year 2023-24 was based on a significant assumption about the sale of land which, subsequently, did not materialise. Swaffham TC must be prudent when making such assumptions.	