



LCC REPORT FOR
HALESWORTH TOWN COUNCIL
REVIEW OF INTERNAL CONTROLS AND INTERNAL AUDIT
January 2025

Ref: LCC 24-106

LCC Associate: Kate Houlihan

Local Council Consultancy (LCC)
Collar Factory, Suite 2.01
112 St. Augustine Street
Taunton
Somerset
TA1 1QN

Email: consultancy@localcouncilconsultancy.co.uk
Website: www.localcouncilconsultancy.co.uk

Contents

Background and Scope of Review	- 3 -
Review of Internal Controls	- 5 -
The purpose of Internal Controls.....	- 5 -
Conclusion-Review of Internal Controls.	- 10 -
Review of Internal Audit	- 11 -
Background and timeline for 2023-2024 Audit	- 11 -
Review of Internal Audit.....	- 14 -
Conclusion and Recommendations	- 15 -
Appendices	- 16 -
Appendix 1 Annual Governance and Accountability Return – The Governance Statement	- 16 -
Appendix 2: Internal Controls Checklist	- 17 -
Appendix 3: Stakeholder Survey.....	19

Background and Scope of Review

Local Councils are required to carry out annual reviews of the effectiveness of their Internal Controls and their Internal Audit arrangements.

The Accounts and Audit Regulations 2015 mandate that relevant authorities conduct an annual review of the effectiveness of their internal controls.

The Joint Panel on Accountability and Governance (JPAG)¹, advises that authorities should conduct at least an annual review of the effectiveness of their overall internal audit arrangements.

Local Council Consultancy (LCC) was tasked with performing a desk-based review of Halesworth Town Council's Internal Controls and Internal Audit processes, and providing a written report to the council.

Beyond regulatory compliance and standard adherence, the review ensures that the council and its members fully understand the significance of internal controls and the role of the internal auditor. This understanding not only aids in legislative compliance but also provides additional benefits for the council. By being aware of what is being done and when, the council can effectively guide the internal auditor's work and use the auditor's reports to make improvements. The internal audit may also highlight risks that need to be addressed. In short the reviews should add value to the organisation.

Kate Houlihan, LCC Associate, was appointed to carry out the review. Kate is a CiLCA² and PIALC³ qualified and experienced Clerk who is also an Internal Auditor for the Northamptonshire County Association of Local Councils.

- To complete the review, I:
- Examined information available on the Halesworth Town Council website and its predecessor site.
- Reviewed documents provided by the Clerk.

¹ From January 2025 JPAG is to be known as Small Authorities' Proper Practices Panel (SAPPP)

² Certificate in Local Council Administration

³ The Principles of Internal Auditing Local Councils

- Met virtually with the Clerk.
- Verified information with the council's Internal Auditor, Mrs. Victoria Waples.
- Offered staff and councillors the opportunity to complete a stakeholder survey.

To complete the work, I reviewed the effectiveness of the councils Internal Controls and Internal Audit separately.

The final section of this report sets out a number of recommendations which will help to support the work of the council.

Review of Internal Controls

The purpose of Internal Controls

Local Councils have internal controls to ensure that they operate efficiently, transparently, and in compliance with legal and financial regulations.

Internal Controls help ensure:

- **Financial Integrity:** Internal controls help safeguard public funds by preventing fraud, errors, and mismanagement.
- **Accountability and Transparency:** Having robust internal controls in place promotes accountability and transparency. It ensures that decisions are made based on sound principles and are open to scrutiny from members and residents.
- **Compliance:** Internal controls help ensure that the council adheres to relevant laws, regulations, and policies.
- **Risk Management:** Internal controls help identify and mitigate risks, ensuring that potential issues are addressed proactively rather than reactively.

The Council will be familiar with completing the Annual Governance and Accountability Return. Section 1: Annual Governance Statement (appendix 1) requires the council to positively affirm...

“We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.”

The table on the following pages reviews key financial controls and considers if there are any areas where Halesworth Town Council could further develop and improve their systems.

Internal Control Measure	Explanatory commentary	Current practice and areas for development .
<p>Standing Orders and Financial Regulations in place and up to date.</p>	<p>The authority needs to have Standing Orders and Financial Regulations governing how it operates. Financial regulations need to incorporate provisions for securing competition and regulating the way tenders are invited. These need to be regularly reviewed, fit for purpose, and adhered to.</p>	<p>The Council adopted new model Financial Regulations (July 2024) as prepared by the National Association of Local Councils (NALC). I noted some minor areas where the model document hasn't been fully tailored to the council, e.g. para 13,6. This can be addressed at the next review.</p> <p>Standing Orders were re-adopted in October 2024. However Financial Regulations and Standing Orders now detail slight differences in the tender process to be followed. This can be resolved at the next review of Standing Orders.</p> <p>Any discrepancy between the two documents could give rise to confusion and reduce transparency during a tender process.</p>
<p>Safe and Effective arrangements to Safeguard Public Money. (Including the segregation of duties)</p>	<p>A council needs to have practical and resilient arrangements covering making payments, and handling receipts. Authorities need to have in place safe and efficient arrangements to safeguard public money.</p>	<p>Procedures for the safe and effective safeguarding of public money are set out in Financial Regulations.</p> <p>The Council's Financial Regulations are clear, transparent and easy to follow. For example, para 5.16 clearly sets out the delegated authority of officers, The Clerk, Committees and Ultimately the Council. The system is robust and transparent for staff, members and residents.</p> <p>The payment of invoices is made in line with Financial Regulation 6.2. Dual authority is required for all payments over £120.00. All payments over this threshold are reported to council for approval.</p> <p>However, officers make smaller payments. Whilst there is a clear segregation of duties with one</p>

		<p>officer setting up the payment and another authorising, a small risk of error or fraud still exists. The Council should consider if this Internal Control measure is adequate. Members might consider some light touch governance in this area.</p> <p>An understanding of the total value of expenditure on payments less than £120 and the categories these payments fall into might be useful.</p>
Effectiveness arrangements to manage the Council's finances.	Every authority needs to arrange for the proper administration of its financial affairs and ensure that one of its officers (the RFO) has formal responsibility for those affairs	At Halesworth Town Council, the Clerk has been appointed as the RFO. The Clerk is experienced, and the Council can be very reassured that their financial affairs are professionally managed.
Regular Financial Reporting	<p>Regular financial reporting is needed to allow members to scrutinise expenditure and ensure that money is being spent in line with council budgets and policy.</p> <p>The bank reconciliation is the key document in managing the council's funds. It is a requirement of the current model financial regulations that bank reconciliations be prepared regularly, approved by members and signed as part of the regular minute record.</p>	<p>The Finance and Governance Committee meet monthly. A comprehensive financial report is provided to every meeting. This includes:</p> <ul style="list-style-type: none"> • Budget Report • Bank Reconciliation • CIL Report • Payment List for approval • Bank Transfers <p>No additional reporting requirements are suggested at this time.</p>

	<p>Regular budget reports detailing expected and actual expenditure against budget are also required.</p>	
<p>Risk Management</p>	<p>As a minimum, an authority must identify and assess risks, and address those identified risks by mitigating or managing them. The Council carried out a comprehensive risk assessment in June 2023</p>	<p>The Council must review their risk assessment by the end of March 2025. The current risk assessment last reviewed in June 2023 is highly comprehensive.</p> <p>To ensure that this continues to be an effective internal control the council will need to consider additional risks.</p> <p>The Council's turnover is likely to be greater than £431,000 (Precept and expected CIL income) during the forthcoming financial year. As such the Council won't be covered by the Financial Services Compensation Scheme, the Council should recognise this and consider any mitigation required.</p> <p>I understand the Council is also taking on new delegated functions and assets, the risks associated with these should be considered in the council's risk assessment and mitigation and internal controls updated accordingly.</p>

		<p>The Clerk is on a fixed term contract so future staffing and succession planning will also form part of the risk assessment.</p> <p>Other risks identified by the internal auditor such as increasing the council's fidelity guarantee are already in hand.</p>
Internal Control Regular Review	<p>In addition to completing an annual review of Internal Controls it is helpful for councils to have a system of regular review and scrutiny in place. This ensures existing financial controls are being adhered to and helps identify areas for development at an early stage.</p> <p>Simple checks conducted by members, can provide reassurance to a council and other stakeholders that Internal Control measures are adhered to.</p>	<p>The Council should reintroduce quarterly control checks to be carried out by members.</p> <p>The checklist used previously and shown in appendix 2 is suitable.</p>
Audit and Independent Review	<p>The Internal Audit is in place to check that processes are being followed, and the External Audit ensures transparency and that financial statements are produced correctly.</p>	<p>The next section of this report covers this in detail.</p>
Training and Awareness	<p>Staff and members should understand their role and responsibilities in relation to financial control</p>	<p>The stakeholder survey (appendix 3) shared with had a low take up. I would recommend that the survey is used for individuals to identify any training needs they may have and act accordingly.</p>

		“Training” could include briefings from the Clerk, reading “The Good Councillors Guide to Finance” as well as formal training sessions.
Transparency and Communication to the Public	Councils should regularly communicate financial information to the public. This could be by publishing information in a newsletter or the website.	Information on the new Town Council website is comprehensive and up to date.

[Conclusion-Review of Internal Controls.](#)

Halesworth Town Council has robust Internal Controls. Whilst the review has identified some areas for development these are designed to further support the work of officers and members.

Review of Internal Audit

Background and timeline for 2023-2024 Audit

As part of the review of Internal Controls Local Council Consultancy (LCC) was also requested to carry out a desk-based review of the effectiveness of Halesworth Town Council's internal audit.

The role of the internal auditor can be likened to that of the "critical friend" role undertaken by school governors, by testing and questioning current practices they are seeking not just to prove compliance but support improvement and development.

Reviews should be evidence based, with evidence gathered during the course of the financial year.

Evidence will include:

- Previous review and action plan (if in place)
- Annual report by internal audit
- Reports of the external auditor

The JPAG further advises that the review should be designed to provide sufficient assurance that standards are being met and that the work of internal audit is effective.

The review was carried out remotely, drawing on documents and evidence provided by from the Council's website, and a conversation (via email) with the Council's Internal Auditor.

Period Covered: It is noted that the period under review covers 1 April 2023 to 31 March 2024.

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. This review sets out a number of expected standards in the table on the following pages.

Audit Timeline: For the period under review the audit timeline is as follows:

Date of Audit Report	Type of Audit	Date Report Considered by Committee / Full Council
15 May 2024	Final Internal Audit	Report noted at Full Council in June 2024 and passed to the Finance and Governance Committee to consider an action plan.

15 May 2024	Final Internal Audit	Report considered by Finance and Governance Committee and Audit Plan agreed.
	External Audit Report	The report wasn't available on the Council's new website, but was minuted on 7 th October 2024.

Summary of Audit Findings

Internal Audit

The Internal Auditor was able to positively complete all sections of the Annual Internal Audit Report (AIAR) within the Annual Governance & Accountability Return (AGAR) for the year ending 31 March 2024. However, a number of recommendations were made:

- a) Increase in Fidelity Cover
- b) Formal record of review of Insurance Cover
- c) Absence of Investment Strategy
- d) External Audit Report to be considered by Full Council (not a committee)
- e) Website Accessibility Policy required..

External Audit

The External Auditor (EA) gave a qualified audit opinion for the 2023/2024 financial year. Initially, the Council approved the Annual Governance and Accountability Return within the prescribed period. However, due to the transition from receipts and payments accounts to income and expenditure accounts, the accounts had to be re-approved by the Council, which fell outside the statutory period.

Expected Standard	Evidence of Achievement	Areas for development / Details of Evidence Reviewed.
1. Scope of internal audit	<p>Terms of Reference to have been approved by Full Council.</p> <p>Scope of audit work takes into account risk management processes and wider internal control.</p>	<p>Halesworth Town Council appointed Suffolk Association of Local Councils (SALC) to conduct the Internal Audit. The service will be able to provide terms of reference and audit plans.</p>
2. Independence	<p>Internal Auditor has direct access to those charged with governance (see Financial Regulations).</p> <p>Reports are made in own name to management.</p> <p>Auditor does not have any other role within the council</p>	<p>All reports to Council are made in the name of Victoria Waples who has no other role within the Council.</p>
3. Competence	<p>No evidence that internal audit work has not been conducted ethically, with integrity and objectivity.</p>	<p>Victoria Waples is an experienced Clerk with 25 years' experience. She has been a member of the Suffolk Association of Local Councils Audit Team for over 10 years.</p> <p>The report provided to council is detailed and clearly references any actions or recommendations.</p>
4. Training and understanding	<p>Responsibilities for officers and internal audit are defined.</p> <p>The responsibilities of council members/officers are understood; training is conducted, as necessary.</p>	<p>The Clerk is CiLCA qualified with may years' experience.</p> <p>Other team members are trained as required.</p> <p>The Stakeholder questionnaire shown in appendix 3 could support members and staff to identify any training needs.</p>

5 Audit Planning	<p>How is the audit planned?</p> <p>Is the scope agreed with the auditor?</p> <p>Is there an audit plan?</p>	<p>By appointing SALC the Council receives a comprehensive audit covering all aspects of their work.</p> <p>The Council has not yet created a tailored audit plan. By developing a plan and directing the Internal Auditor to thoroughly examine the areas where the Council identifies the greatest risks, the Council can derive more value from the Internal Audit process</p>
6. Audit Reporting	<p>Internal Audit has been reported.</p> <p>Has a clear plan for any actions needed been agreed?</p>	<p>The Finance and Governance Committee reviewed the report of the Internal Auditor in detail and an action plan was agreed in July 2024.</p>
7. Add value, be forward looking and assist the organisation in achieving its objectives	<p>Demonstrated through positive management responses to recommendations and follow up action as called for.</p>	<p>The Council has addressed items raised by the Internal Auditor and adopted their recommendations. The pro-active approach detailed above could assist further.</p>
8. Ensure the right resources are available	<p>Adequate resource is made available for internal audit to complete its work.</p> <p>Internal auditor understands the body and the legal and corporate framework in which it operates.</p>	<p>The Clerk and officers are able to support the Internal Auditor as needed.</p>

Conclusion-Review of Internal Audit.

Halesworth Town Council has a sound system of Internal Audit. Developing an audit plan could assist the council in ensuring they obtain best value from the service.

Conclusion and Recommendations

Halesworth Town Council is managed effectively and the systems in place are robust and adequate to meet the council's needs.

The recommendations laid out here are designed to further support the council.

- **Internal Control Reports** Re-introduce a regular (quarterly) review of Internal Control measures. This should be carried out by a councillor who is not a signatory to the accounts. (appendix 1 provides a template for this)
- **Risk Assessment-** The review has identified risks that should be considered as part of the council's risk management process.
 - Succession planning for key staff
 - Delivery of devolved services and asset transfers
 - Turnover in excess of coverage from the Financial Services Compensation Scheme.
- **Tender Process** Ensure the tender processes in Standing Orders and Financial Regulations are aligned.
- **Audit Planning** By developing a plan and directing the Internal Auditor to thoroughly examine the areas where the Council identifies the greatest risks, the Council can derive more value from the Internal Audit process.
- **Training Needs Analysis** Stakeholder Survey. Only two members and no staff completed the stakeholder survey shown in appendix 3 . However, members could use this questionnaire to assess their own knowledge and identify any training needs.
- **Payment Controls** – Consider some additional light touch governance for payments under £120 inc. VAT.

Appendices

Appendix 1 Annual Governance and Accountability Return – The Governance Statement

Section 1 – Annual Governance Statement 2023/24

We acknowledge as the members of:

ENTER NAME OF AUTHORITY

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2024, that:

	Agreed		'Yes' means that this authority:	
	Yes	No*		
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.			<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.			<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.			<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.			<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	
7. We took appropriate action on all matters raised in reports from internal and external audit.			<i>responded to matters brought to its attention by internal and external audit.</i>	
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.			<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A	<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>

***Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.**

This Annual Governance Statement was approved at a meeting of the authority on:

DD/MM/YYYY

and recorded as minute reference:

MINUTE REFERENCE

Signed by the Chair and Clerk of the meeting where approval was given:

Chair

SIGNATURE REQUIRED

Clerk

SIGNATURE REQUIRED

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS

Appendix 2: Internal Controls Checklist

HALESWORTH TOWN COUNCIL

INTERNAL CONTROL REPORT

The Accounts & Audit (England) Regulations 2015 aims to strengthen governance and accountability through requirements related to internal control and internal audit.

Whilst the Parish Council has reviewed the effectiveness of the internal audit (independence, competence, proportionate and scope), it has a requirement levied on it to ensure that its financial management is adequate and effective and that it has a sound system of internal control:-

'The regulations require active participation by members in providing positive assurance to the electors of their stewardship of public money. The framework of accountability is risk-based i.e. level of control and management must be appropriate to the risk involved. The Council must determine the most appropriate method of internal control, care should be taken to ensure that internal control tests are proportionate and relevant and that they are neither seen as, nor intended as, undue interference in the RFO's day to day management of financial affairs.'

As part of its internal control, the Town Council has appointed a non-signatory Councillor to conduct a review of the system of internal control via the following tests on a quarterly basis with a written report of any findings to be submitted to the Council and minuted as received [Finance and Personnel Committee minute red 25.7(d) 21 05 18].

CONTROL TEST	TEST DONE	COMMENTS – check documents and initial
	Yes or No	
<i>Ensuring an up to date Register of Assets</i>	YES	
<i>Regular maintenance arrangement for physical assets</i>		<i>Reviewed @ council meetings</i>
<i>Annual review of risk and the adequacy of Insurance cover</i>	NO	
<i>Annual review of financial risk</i>	YES	
<i>Awareness of Standing Orders and Financial regulations</i>	NO	
<i>Adoption of Financial and Standing Orders</i>	NO	
<i>Regular reporting on performance by contractors</i>	N/A	
<i>Annual review of contracts (where appropriate)</i>	N/A	

SALC. Reviewed December 2017.

Regular bank reconciliation, independently reviewed	YES	
Regular scrutiny of financial records and proper arrangements for the approval of expenditure	YES	
<i>Recording in the minutes or appendices of the minutes the precise powers under which expenditure is being approved</i>	YES	
<i>Payments supported by invoices, authorised and minuted</i>	YES	
Regular scrutiny of income records to ensure income is correctly received, recorded and banked	YES	
Scrutiny to ensure precept recorded in the cashbook agrees to District Council notification	YES	
Contracts of employment for staff	YES	
Contract annually reviewed	YES	
Updating records to record changes in relevant legislation	YES	
PAYE/NIC properly operated by the Council as an employer	YES	
VAT correctly accounted for VAT payments identified, recorded and reclaimed in the cashbook		
Regular financial reporting to Parish Council	YES	
Regular budget monitoring statements as reported to Parish Council	YES	
Compliance with 2014 Regulations: Officer Decision Reports	NO	

Appendix 3 Stakeholder Survey

Halesworth Town Council

Review of Internal Controls and Internal Audit - Stakeholder Feedback (Please be assured that no statements will be made in the report which could identify individual officers or councillors)

* Required

About you and your role at the council

1. What is your role at the council *

- Officer
- Councillor

2. If you are a councillor do you have any special responsibilities e.g. Chair / Vice Chair or Committee Chair (please specify) *

3. Are you a bank signatory *

- Yes
- No

4. Have you undertaken any training for your role as a Town Councillor *

- Yes, and this has improved my understanding of my role
- Yes, but I am still unclear on my responsibilities
- No, but I have a clear understanding of my role
- No, and I think training would assist me

5. Have you undertaken any specific training on Local Council Finance or Internal Audit *

- Yes, and this has improved my understanding of my role
- Yes, but I am still unclear on my responsibilities
- No, but I have a clear understanding of my role
- No, and I think training would assist me

6. How would you rate your understanding of the following documents, policies and processes.
 *

	Very Good	Good	Fair	Poor
Financial Regulations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bank Reconciliation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk Assessments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Council's Budget	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Annual Governance and Accountability return	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Payment Controls	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. How helpful do you find the reports from your Internal Auditor

- Very helpful, they have helped us improve our systems and services
- Somewhat helpful, they have highlighted areas we need to consider
- Neither helpful nor unhelpful, the reports ensure we meet our statutory requirements.
- I am not familiar with the Internal Audit reports

8. Do you have any other comments to make?