



Stowmarket Town Council

Internal Audit 2024-25 (Final Update Report)

20th May 2025

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for Auditing Solutions Ltd

Background and Scope

Town and parish councils are required by statute to make arrangements for an independent internal audit examination of their accounting records and system of internal control, and for the conclusions to be reported each year in the Annual Governance and Accountability Return (the AGAR). Auditing Solutions Ltd was appointed to undertake this function on behalf of Stowmarket Town Council for the 2024-25 financial year.

This report sets out the results of our final audit visit for the year, which was undertaken on 14th May 2025. It updates the reports issued following our interim audits in October 2024 and March 2025. Once again, we wish to thank the Head of Corporate Services and her colleagues for their assistance in enabling us to complete our audit work.

Internal Audit Approach

In carrying out the audit, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or mis-representation in the year-end Statement of Accounts, operating a mix of 100% substantive or selected sampling techniques, where considered applicable.

Our audit programme is designed to afford appropriate assurance that the Council's financial systems remain robust and operate in a manner which ensures effective probity of transactions and affords a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Annual Internal Audit Report' in the AGAR, which requires independent assurance over a number of internal control objectives

Overall Conclusion

On the basis of the programme of audit work that we have undertaken for the year, we have concluded that the Council continues to maintain an adequate and effective system of internal control. The records held in support of the accounting transactions are of a high standard and provide an effective audit trail, with clear cross-referencing of all relevant documentation. We have completed and signed the 'Annual Internal Audit Report' in the 2024-25 AGAR, concluding that the internal control objectives as set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

In the sections below, we explain the objectives of each area of our audit, summarising the work undertaken and our findings. We are pleased to confirm that there were no matters arising from our final audit work that required a formal recommendation. We ask that Members consider the content of this report.

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Detailed Report

Accounting records & Banking arrangements

Our objective is to confirm that the accounting records are accurate and up to date, with no anomalous entries in the cashbooks or financial ledgers, and that appropriate banking arrangements are in place.

The Council continues to maintain its accounting records using the RBS Rialtas ‘Omega’ software, which is generally acknowledged as a market leader for town and parish councils.

A NatWest Bank current account is used for the majority of the day to day banking activities, including on-line payments, with a TSB current account being used for cash handling. Funds not required for immediate use are held in a range of savings accounts with NatWest Bank (instant access, 35-day notice and 95-day notice accounts) and the Nationwide Building Society (instant access and two 12-month deposit accounts).

During the course of our audits, we confirmed the following:

- The opening trial balance on Omega for 2024-25 agreed to the closing balances in the 2023-24 AGAR;
- The financial ledger remained “in balance” throughout the year;
- The accounting code structure continued to provide sufficient detail to enable effective budget monitoring to be undertaken;
- From a sample review of four months’ financial activity (April and August 2024, plus January and March 2025), the detailed transactions recorded in the Omega cash books, reconciled fully to the supporting bank statements for all of the Council’s accounts;
- From review of the latest monthly bank reconciliations at the time of each of our interim visits and at 31st March 2025, there were no long-standing un-cleared items or anomalous entries. We also confirmed that bank reconciliations continue to be reported to the Council on a quarterly basis and that the balances as at 31st March 2025 have been reported correctly in Section 2, Box 8 of the draft AGAR;
- Appropriate arrangements remain in place for raising, processing and reviewing journal entries made in the Omega accounts;
- The External Auditors completed their work on the Council’s 2023-24 AGAR and issued their certificate on 15th September 2024, with no matters arising, and
- Remote back-ups of the IT systems continue to be made by the Council’s IT providers on, at least, a daily basis.

Conclusion

There are no matters arising that require a formal comment or recommendation.

Corporate Governance

Our objective is to confirm that the Council has robust corporate governance arrangements in place and that, as far as we may reasonably be expected to ascertain (as we do not attend Council or Committee meetings), all meetings are conducted in accordance with the adopted Standing Orders and Financial Regulations, and no actions of a potentially unlawful nature have been, or are being, considered for implementation.

During the course of our audits, we confirmed the following:

- Our review of the minutes of the meetings of the Council and its standing committees held during the year did not identify any matters that we consider might have an adverse effect, through litigation or other causes, on the Council's future financial stability;
- The Standing Orders and Financial Regulations continue to be kept under regular review. The latest updates to both documents were approved by the Council at its meeting on 5th February 2025, following consideration by the Audit & Governance (A&G) Committee;
- The Council adopted the General Power of Competence at the Annual Council Meeting on 17th May 2023 and this remains in place until the 2027 elections;
- During the summer of 2024, the Council provided the proper opportunity for the exercise of public rights in relation to the 2023-24 accounts, in accordance with the requirements of the Accounts & Audit Regulations, and
- The A&G Committee continues to monitor the Council's governance arrangements at each meeting.

Conclusion

There are no matters arising that require a formal comment or recommendation.

Expenditure and VAT

Our objective in this area is to ensure that:

- Council resources are released in accordance with its approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- Any discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- An official ordering process is in place and operated for appropriate purchases, acknowledging that a range of goods and services are provided under contractual requirements (e.g., grass cutting) or legislation (e.g., non-domestic rates);
- The correct expense codes have been applied to invoices when processed, and

- VAT has been appropriately identified and coded to the VAT control account for periodic recovery.

To test compliance with the above, we examined a sample of payments from across the financial year, as recorded in the Omega cashbooks. Our sample included all individual payments in excess of £4,500, plus every 45th expenditure transaction in the cash books, irrespective of value. The total value of transactions examined for the year was £819,658, which equates to just under 50% of gross non-pay expenditure. There were no matters arising.

The Council makes use of NatWest corporate credit cards, issued to named members of staff, which are settled in full every month by direct debit. Currently, there are ten designated users, all of whom have an individual card and an assigned credit limit. During our interim audits, we reviewed the controls in place regarding the use of the credit cards in August and December 2024. We confirmed that all of the payments made appeared to be appropriate to the Council's functions and were adequately supported by receipts.

As part of our testing of expenditure, we also check, on a sample basis, to confirm that appropriate national requirements and the Council's own Financial Regulations/Standing Orders are followed when entering into contracts that require to be formally tendered. At our first interim visit, we reviewed documentation relating to the award of the contract for the purchase of two fleet vehicles. We confirmed that a sound approach was taken to the management of the tender process, with approved capital authorisation for the purchase being given by the Council at its meeting on 1st May 2024. In accordance with the national regulatory requirements, the tender opportunity was published on the Government's Contracts Finder website.

VAT Returns continue to be submitted quarterly in electronic format, as required by extant legislation, with the detail being reconciled to the Omega financial ledger. We confirmed that, by the time of our final audit visit, the VAT Returns for all four quarters of the financial year had been submitted and reimbursement of the net reclaims received from HMRC.

Conclusion

There are no matters arising that require a formal comment or recommendation.

Assessment and Management of Risk

Our objective is to confirm that the Council has put in place appropriate arrangements to identify all potentially significant areas of risk of both a financial and health & safety nature, and to monitor and manage those risks so as to minimise the opportunity for them to occur. In the course of our audit work, we confirmed that:

- Revised versions of the detailed Risk Register and overall Risk Management Strategy were approved by the Council at its meetings on 16th October 2024 and 5th February 2025, respectively, following consideration by the A&G Committee;
- The Council's main insurance cover is provided by Hiscox, under a 3-year policy, which started in 1st February 2023. The levels of Public Liability and Employer's Liability are set at £10m, with Fidelity Guarantee of £1m. This level of cover is in line

with other similar sized local authorities and would appear to be adequate to meet the current needs of the Council;

- A separate motor insurance policy remains in place for the Council's vehicles, which was updated in 2024 to reflect the changes in the fleet noted above;
- Annual play area inspections continue to be undertaken by PlaySafety Ltd. The latest inspections were completed on the 16th October 2024, with the matters arising and the remedial action that was being taken subsequently reported to the Operations & Services Committee in January 2025, and
- As in previous years, a wide range of health & safety, outdoor working, specific event and other related risk assessments are in place, details of which are formally reviewed and updated on a regular basis.

Conclusion

There are no matters arising that require a formal comment or recommendation.

Budget Setting, Budgetary Control and Reserves

Our objective is to confirm that the Council has robust processes for identifying and approving future budgetary requirements and the level of Precept to be drawn down from Mid Suffolk District Council, and that effective budget monitoring and reporting arrangements are in place. We also consider whether the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

The 2025-26 Budget and the Precept requirement were formally determined by the Council at its meeting on 5th February 2025. The Budget Book, produced by the Town Clerk in consultation with the Financial Strategy Group, sets out the revenue requirements and capital programme for the year ahead, and the reserve levels required to deliver the Medium-Term Financial Plan. As in previous years, it also includes details of the key risk factors and cost pressures impacting on the Council, providing Members with very clear information to inform the decision-making process. The Precept for 2025/26 was set at £1,501,786.23, which equates to an increase of 6.9% (or £0.261 per week per Band D property).

From our review of the minutes and discussions with officers, we confirmed that, in line with the sound approach adopted in previous years, budget monitoring reports have continued to be considered by the Council on a quarterly basis and have included a commentary on variances. At the end of the third quarter, it had been anticipated that there would be a slight budget deficit, resulting mainly from costs associated with the introduction of the Town Ranger Service. However, we note that the final outturn position showed a small surplus, due mainly to the financial performance of the Regal Theatre being better than forecast and to higher than anticipated income from a range of service areas and from bank interest.

As at 31st March 2025, the Council's reserves stood at £1,560,798, which is a slight increase over the previous year-end (£1,535,542). Of the total reserves, the earmarked reserves amounted to £971,170, compared to £999,542 at 31st March 2024. The General Reserve stood

at £589,627 (£536,000). This General Reserve balance equates to six months' salary-related costs for the year, which is in accordance with the policy adopted by the Council in 2021-22.

Conclusion

There are no matters arising that require a formal comment or recommendation.

Review of Income

The Council receives income from a wide variety of sources including market trader rents, hire fees for use of the Regal Theatre, cinema ticket sales, lettings of the Community Centre facilities, fees from burials and associated activities, and allotment rents.

Our objective is to confirm that there are effective procedures in place to ensure that all income due is identified; that fees and charges for services provided were in accordance with approved Council rates; that income due is recovered within a reasonable time span, and that the Council is adhering to relevant legislation and charging VAT, where appropriate, for services provided.

During our audits, we confirmed the following:

- *Fees and charges:* The fees for the current year were agreed as part of the 2024-25 budget setting process, in February 2024 and a similar approach has been followed for 2025-26;
- *Cemetery and related income:* For a sample period (1st April to 30th June 2024), we checked documentation in respect of interments in the cemetery, together with purchases of grave plots and memorials, through to the receipt and banking of monies due. There were no matters arising;
- *Market traders:* We reviewed the market records for a sample of two market dates (23rd and 25th May 2024), confirming that all traders had been invoiced for the correct amounts and that payments had been received on a timely basis. Except for one late payment, which needed to be chased, there were no matters arising;
- *Regal Theatre:* For a sample month (January 2025), we confirmed that payments made by cash or card (from the purchase of tickets, gift vouchers, "Royalty" cards and café sales) and recorded on the Theatre's box office system are being independently reconciled to the relevant bank statements by the Corporate Services Team. During our second interim audit, we also visited the Theatre and discussed the various contract arrangements in place for the film distributors and performers. There were no matters arising;
- *Community Centre:* We reviewed the Community Centre booking diary for a sample week (w/c 2nd December 2024), confirming that users had been invoiced at the appropriate rate and that there were no outstanding hire fees. We also checked, on a sample basis, that the Council holds signed user agreements and other relevant documentation for current Community Centre users. Last year, we had recommended that, in view of the limited space available in the Community Centre office and in line with good practice, all relevant information should be held as scanned documents. In following up on this, we confirmed that action has now been taken to address this issue;

- Receipt of income: As noted earlier in this report, we have checked and agreed a sample of four months' cashbook receipt transactions to all relevant bank statements, and
- Outstanding debts: At each of our audit visits, we reviewed the outstanding debtors position and were pleased to confirm that, as a result of the continuing action by the Corporate Services Team, the number and value of unpaid debts of 60 days or more remained very low throughout the year.

Conclusion

There are no matters arising that require a formal comment or recommendation.

Review of Salaries and Wages

In examining the Council's payroll function, our objective is to confirm that extant employment legislation is being adhered to, that the requirements of HM Revenue and Customs (HMRC) are satisfied regarding the deduction and payment over of income tax and NI contributions, and that the requirements of the local government pension scheme are met.

The Council continues to manage the payroll service "in-house", using bespoke Sage software. Payments to staff are made electronically via the NatWest Bank BACS facility.

To meet our objective, we undertook the following audit work:

- We confirmed, by a sample review, that appropriate signed contracts of employment are held for new members of staff recruited during 2024-25;
- For one sample month (September 2024), we confirmed that:
 - The gross amounts paid to all staff agreed to the Council's approved pay points on the NJC annual schedule of rates payable;
 - Tax and NI deductions had been made by applying the appropriate tax code and NI Table, and appropriate amounts were paid over to HMRC;
 - Appropriate employee and employer contributions to the pension scheme had been determined and paid over to the County's Pension Fund Administrators, and
 - The net payments due to staff as per their copy payslips agreed to the bank transfers for the month.
- We confirmed that arrears relating to the national Local Government Services pay agreement for 2024-25 (applicable from 1st April 2024, but not finalised until October 2024), were paid correctly with the November salary payments.

Conclusion

There are no matters arising that require a formal comment or recommendation.

Petty Cash Account

As part of the internal audit review, and the reporting requirements in the AGAR, we are required to assess the effectiveness of controls over any petty cash accounts in use, ensuring that payments are appropriately supported, that transactions are only made for items connected with the Council's functions and that any recoverable VAT is correctly identified.

The only cash floats now held are for the Regal Theatre tills. We confirmed that the controls over these remain adequate, with regular independent review by the Regal Manager and, on an ad hoc basis, by the Corporate Services Team - who also verify the end of year balances. At our final audit, we confirmed that the year-end independent review had been undertaken and that the balances held had been included correctly in Section 2, Box 8 of the draft AGAR.

Conclusion

There are no matters arising that require a formal comment or recommendation.

Asset Register

Councils are required to maintain an Asset & Investment Register and to report the overall value of fixed assets and long-term investments held in the AGAR (Section 2, Line 9). Whilst the "Practitioners' Guide" does not specify a particular basis of accounting for fixed assets, it stresses that the approach taken from year to year should be consistent and that the value of individual assets held should not normally change from one year to another - with the only changes being the inclusion of new assets purchased or removal of assets disposed of.

In most cases, assets are recorded at their purchase cost, or at a suitable proxy where that value is not known. However, assets gifted at nil cost or other assets held with no intrinsic value (often referred to as community assets) are normally included at a nominal £1.

The Council uses the 'Asset4000' asset register, designed by Real Asset Management, to record details of all assets held. At our final audit, we reviewed the adjustments made by the Head of Corporate Services to the asset register in 2024-25 and agreed the total asset value of £6,207,488 as at 31st March 2025, reconciling the movements from the previous year end. We also confirmed that the above figure has been reported correctly in Section 2, Box 9 of the draft AGAR.

Conclusion

There are no matters arising that require a formal comment or recommendation.

Investments and Loans

Our objective is to confirm that an appropriate investment strategy is in place, that any funds not required for immediate use, whether temporarily or on a longer-term basis are invested in line with that strategy and that interest earned is brought to account correctly and appropriately in the accounting records. We also confirm that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

We confirmed that:

- At present, the Council does not hold any long-term investments (i.e., investments of over 1 year). As noted earlier in the report, surplus funds are held in a range of NatWest Bank and Nationwide Building Society savings accounts.
- In line with the requirements of the ‘Statutory Guidance on Local Government Investments’, the Council has an Investment Strategy in place, which is reviewed annually. The latest review was undertaken by the A&G Committee at its meeting on 19th June 2024 and subsequently approved by the Full Council on 18th September 2024.
- During 2020-21, the Council borrowed £1m from Mid Suffolk District Council, over a 30-year period, towards the costs of the Regal Theatre Redevelopment Project. This loan was drawn down in four tranches, between September and December 2020. We have confirmed that the two half-yearly repayments of principal and interest due in 2024-25 have been made in accordance with the loan agreement. At the final audit, we confirmed that the repayments during the year and the overall balance outstanding as at 31st March 2025 have been reported correctly in the AGAR (Section 2, Boxes 5 and 10, respectively).

Conclusion

There are no matters arising that require a formal comment or recommendation.

Statement of Accounts/AGAR

We have examined the detailed accounts produced by the RBS Omega system and also the draft of the statutory “Accounting Statements 2024-25” that the Council is required to complete and approve (Section 2 of the AGAR). We have agreed the detail to the supporting accounting records and other related documentation.

Conclusions

There are no matters arising that require a formal comment or recommendation. We look forward to receiving a copy of the finalised AGAR (Sections 1 and 2), once the document has been approved by the Council.

On the basis of the work undertaken during the course of our review for the year, we have completed and signed the ‘Annual Internal Audit Report’ on Page 3 of the AGAR, assigning positive assurances in all areas of internal control.