

Internal Audit Report
Year Ending 31st March 2019 Interim Report to 30th September 2018

Name of Council:	Felixstowe Town Council
Precept figure:	£560,967
Income to date:	£635,703
Expenditure to date:	£365,476
Reserves	General £356,823 Earmarked £685,936

Internal Audit Objectives and Responsibilities

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council, and to achieve this will adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with particular reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data

Accordingly, in the conduct of planned audits Internal Audit may:

- Carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete Section 4 (Annual internal audit report) of the Annual Return
- Review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- Appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- Review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council is in compliance
- Review the operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned


Subject	Requirements	Comments/Recommendations
<p>1. Proper Book-keeping</p>	<p>Cash book updated regularly.</p> <p>S137 separately recorded and minuted.</p> <p>Correct arithmetic and balancing.</p>	<p>The council uses the RBS Omega accounting package. The cash book is reconciled on a monthly basis.</p> <p>The accounts for payment schedule includes the relevant power and details are published online. £13,994 has been spent under this power up to 30/09/18. This is well inside the limit of the power: £7.86 x 18,870 Electorate = £148,312</p> <p>Financial reports to Full Council identify powers used, including s137.</p> <p>No errors were found in the sample payments tested. Petty Cash was found to be correct.</p>
<p>2. Financial regulations, standing orders, payment controls</p>	<p>Evidence that standing orders and financial regulations have been adopted.</p> <p>VAT is identified and reclaimed.</p> <p>Supporting paperwork for payments, invoices, and appropriate authorisation</p>	<p>The latest available Standing Orders and Financial Regulations were adopted 16 May 2018 following a review on 28/03/18 by the Finance and General Purposes Committee. Further minor amendments were made on 12/9/18.</p> <p>VAT is identified in the cash book and purchase ledger. VAT Return for period ending 30th September 2018 submitted 9/4/18 for £4,434.16</p> <p>10 payments were cross checked against bacs/cheque book, cash book, bank statement, invoice and payment list included in council minutes. All were found to be in order.</p> <p>The Barclaycard statements were checked for expenditure consistent with proper use of the card. All was found in good order. Monthly spend limits should be regularly reviewed and agreed as appropriate</p> <p>The Fuel Genie statement dated 1/06/18 for £267.98 was checked against receipts. All was found in order.</p>

3. Risk management	Evidence that risks are being identified and managed.	The council reviewed its Risk management policy and risk register for 2018/19 on 28/3/18, by the F&GP Committee and reviewed by full council on 16/5/18. The Complaints Procedure was reviewed 16/5/18
4. Budgetary controls	Verifying that the budget has been properly prepared, and agreed. Regular reporting of expenditure and variances from budget.	The 2018/19 budget was approved 10/1/18 at Full Council and approved that a precept demand of £560,967 be served on the district council. An income and expenditure to date report is received at each meeting of the Finance and General Purposes Committee. The F&GP Committee receive a budget monitoring report for each quarter.
5. Income controls	Monitoring of precept and any other Income. Reserves	The Precept demand was served 11/01/18. The first half-year tranche was received 27/04/18. The second tranche was received 28/09/18. 5 items of income were cross checked against invoice, cash book and bank statement. At the beginning of the financial year 2018-19 the council had general reserves of £356,823 and earmarked reserves of £685,936. A net addition of £51,184 was added on 1/4/18, bringing EMR to £737,120. Total expenditure against earmarked reserves at 30/09/18 was £17,568.
6. Petty cash/expenses procedure	Established system in place, and associated supporting documents	The petty cash float is £250. Receipts are required for expenditure. Cash found in the petty cash tin = £250.00, no receipts.
7. Payroll controls	PAYE/ NIC system in place. Records relating to contract of employment.	Payroll Payflow sheets for September were checked against Council records for staff x12 and found to be in good order. HMRC and Pensions Payments to LGPS x7 staff and NEST x4 staff were checked against bank and payroll and found to match.

		<p>The Council should satisfy itself that current arrangements in respect of allowances is in accordance with para 5.49 of Governance and Accountability published March 2018 and https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim65970</p>
<p>8. Asset control</p>	<p>Inspection of Asset register.</p> <p>Cross checking of Insurance cover.</p>	<p>The Council reviewed the asset register 16/05/2018. The asset register as at 11 July 2018, with fixed assets of £52,855.97, a net change of +£2067.00</p> <p>F&GP Committee reviewed the Council's insurance provision on 24/1/18 and approved by the Council on 14/03/18.</p> <p>The F&GP Committee carried out an Insurance Adequacy Review on 24/1/18 and found them to be adequate.</p> <p>Employers Liability = £10m Public Liability = £10m Fidelity Guarantee Insurance = £1.5m</p>
<p>9. Bank reconciliation</p>	<p>Regularly completed, reconcile with cash book.</p> <p>Bank balances seen as at 30th September 2018</p>	<p>Bank reconciliations are completed on a monthly basis. All were found to be in order.</p> <p>28/09/18 Town Council account 0687: £50,000.00 28/09/18 FTC Mayor's Charity Ball Acct: £1,204.26 29/03/18 Base rate reward 6831: £407,908.01 11/09/18 Base rate tracker 5315: £351,400.38 04/04/18 Nationwide 2900: Closed 3/7/18 transfer to 0687 16/07/18 Close Brothers 4929: £500,000 25/10/18 Petty Cash: £250, represented by £250.00 cash, £0.00 receipts.</p>
<p>10. Review of the system of internal control</p>	<p>Date review completed.</p>	<p>The Statement of Internal controls was reviewed by the F&GP committee meeting on 23/5/2018 and approved by full council on 13/6/18.</p> <p>Review of internal audit effectiveness was reviewed by the F&GP committee on 23/5/18 and approved by Full Council on 13/6/18</p>

<p>11. Transparency</p>	<p>Website up to date? Publication of information in line with Transparency Code? (Mandatory for <£25k, recommended practice for >£25k)</p>	<p>The website was up to date at the time of inspection</p>
<p>12. Audit</p>	<p>Internal Auditor External Auditor</p>	<p>The Council reviewed the Internal Audit report on 16/5/18. The Internal Auditor role was reviewed by the F&GP Committee on 24/5/17 and SALC re-appointed by Full Council on 13/6/18. The External Audit recorded no formal or other matters to report and receipt was noted at the F&GP Committee on 26/9/18 and will go full council in November. Completed: Adopted at the Annual meeting held 23/5/18 and amended to include minor updates 12/9/18</p>
<p>13. Actions on previous recommendations</p>	<p>Recommendation: Council should review the latest model Standing Orders issued by NALC in April 2018 and consider adopting the new model. Recommendation: A Data Audit is the recommended first step in ensuring that the Council has scoped its obligations under GDPR and it is reasonable to expect this to have been carried out by May 25th 2018 to demonstrate the Council is working towards compliance.</p>	<p>In train: See GDPR section</p>
<p>14. GDPR</p>	<p>The Council can demonstrate that it is working towards being compliant with data protection legislation to be</p>	<p>The Council considered data protection arrangements during this period. On 23/5/18, F&GP considered provision of council email addresses for councillors. On 13/6/18 the Council adopted a revised Data Protection Policy, privacy notice and data retention and disposal policy.</p>

15. Additional comments		The annual meeting of the Town Council was held on the 16 May 2018. The election of Mayor was the first item on the agenda. Thank you to the Town Council staff for their co-operation with the internal audit. Felixstowe continues to be an exemplar of good practice.
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Signed 

Date: 25th October 2018

On behalf of Suffolk Association of Local Councils

