



**Internal Audit Report**  
**Year ending: 31<sup>st</sup> March 2019**

<b>Name of Council:</b>	Felixstowe Town Council
<b>Income:</b>	£154,637
<b>Expenditure:</b>	£753,354
<b>Precept Figure:</b>	£560,967
<b>General Reserve:</b>	£356,823
<b>Earmarked Reserves:</b>	£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 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 the Annual Internal Audit Report 2017/18 of the Annual Governance and Accountability Return (AGAR)
- 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
<b>1. Proper Book-keeping</b>	Type of cash book or ledger used	The council uses the RBS Omega accounting package. The cash book is reconciled on a monthly basis.
	Cash book kept up to date and regularly verified against bank statement	Monthly reconciliations are carried out.
	Correct arithmetic and balancing	No errors were found in the sample payments tested. Petty Cash was found to be correct.
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	The latest available Standing Orders 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. The FGP Committee reviewed the Standing Orders on 27/3/18 for recommendation to Full Council.
	Evidence that Financial Regulations have been adopted and reviewed regularly	The latest available Financial Regulations were adopted 16 <sup>th</sup> 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. The FGP Committee reviewed the financial regulations on 27/3/18 for recommendation to Full Council.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	This is within the contract of the Town Clerk
	Evidence that Financial Regulations have been tailored to the Council	The FR was inspected and found to have been appropriately tailored.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	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.

	Internet Banking transactions properly recorded/approved	The RFO authorises invoices for payments and the payments are set up and paid by BACS by the Deputy Clerk. Councillors sign the invoice and BACS transaction sheet after payment has been made, to signify their approval.
	VAT correctly identified and reclaimed within time limits	VAT is identified in the cash book and purchase ledger. VAT Return for period ending 31 <sup>st</sup> March 2019 submitted 5/4/19 for £17,118.70
	Has Council adopted the General Power of Competence and is it being correctly applied?	The Council intends to adopt the General Power in May 2019. <b>Recommendation: The Council should be aware that the GPOC is not able to be used in all instances and where it cannot be used that a suitable power exists to make decisions.</b>
	S137 separately recorded, minuted and within statutory limits	The accounts for payment schedule includes the relevant power and details are published online. £32,846 has been spent under this power up to 31/3/19. This is well inside the limit of the power: £7.86 x 18,870 Electorate = £148,312 Financial reports to Full Council identify powers used, including s137.
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Ref 08288 – Renovation of the Town Hall £17,365.97 paid 21/3/19. The Council has £347,803.02 outstanding PWLB balance as at 31/3/19.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation.	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
	Evidence that risks are being identified and managed.	Investment policy was reviewed 23/1/19 and adopted 13/3/19
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Employers Liability = £10m Public Liability = £15m Fidelity Guarantee Insurance = £2m
	Evidence that insurance is adequate and has been reviewed on an annual basis	F&GP Committee reviewed the Council's insurance provision on 23/1/19 and approved by the Council on 13/03/19.

	Evidence that internal controls are documented and regularly reviewed	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.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	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
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	The 2018/19 budget was approved 10/1/18 at Full Council. The 2019/20 budget was approved 9/1/19 at Full Council.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The 2018/19 precept was approved 10/1/18 at Full Council and that a precept demand of £560,967 be served on the district council. The 2019/20 precept was approved 9/1/19 at full council, that a precept demand for £578,113 be served on the district council.
	Regular reporting of expenditure and variances from budget	Finance & General Purposes Committee receive reports at each meeting and consider variances greater than 10% or £500.
	Reserves held  General and Earmarked.	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 31/03/19 was £117,711.
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	5 items of income were cross checked against invoice, cash book and bank statement. No errors or omissions were found
	Is income reported to full Council?	The full council get the same reports as FGP Committee including income received.
	Does the Precept recorded agree to the Council Tax Authority's notification?	27/4/18 = £280,483.50 28/9/18 = £280,483.50 £560,967 = Correct

	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	FGP Committee considered the CIL report 28/11/19 before submission to SCDC.
<b>7. Petty Cash</b>	Is a petty cash in operation?  If so, is there an adequate control system in place.	Yes  Yes, receipts are required for each payment
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Yes
	Are arrangements in place for authorising of the payroll and payments by the Council?  Verifying the process for agreeing rates of pay to be applied.	Yes – as per other payments  Personnel Committee
	Do salary payments include deductions for PAYE/NIC?	Yes
	Is PAYE/NIC paid promptly to HMRC?	Yes
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Yes
	Are other payments to employees reasonable and approved by the Council?	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.
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	Yes
	Verifying that the Asset Register is reviewed annually	The Council reviewed the asset register 16/05/2018. The asset register as at 31/3/19 valued at £56,516.97, last updated 9/1/19 (Defibs)
	Cross checking of Insurance cover	F&GP Committee reviewed the Council's insurance provision on 23/1/19 and approved by the Council on 13/03/19.

		Employers Liability = £10m Public Liability = £10m Fidelity Guarantee Insurance = £1.5m
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Bank reconciliations are completed on a monthly basis. All were found to be in order.
	Confirm bank balances agree with bank statements	29/03/19 Town Council account 0687: £51,186.00 28/09/18 FTC Mayor's Charity Ball 0725: £7,701.25 29/03/19 Base rate reward 6831: £408,583.46 29/03/19 Base rate tracker 5315: £40,636.46 04/04/18 Nationwide 2900: Closed 3/7/18 transfer to 0687 16/07/18 Close Brothers 4929: £500,000 11/04/19 Petty Cash: £250, represented by £222.00 cash, £28.00 receipts.
	Regular reporting of bank balances at council meetings	Yes – a nominated Councillor signs to say they have seen and confirmed reconciliation between actual bank statement and Omega accounts. <b>Recommendation: The nominated Councillor should sign the bank statement rather than the omega accounts, to evidence they have seen that, as this is the key matter – that the council funds really do match what the RFO reports.</b>
<b>11. Year-end procedures</b>	Appropriate accounting procedures used	Yes
	Financial trail from records to presented accounts	Yes
	Has the appropriate end of year AGAR documents been completed?	Yes
	Where an authority certified itself exempt in 2017/18, did it met the exemption criteria and correctly declared itself exempt?	N/A
	Was there the opportunity provided for the exercise of electors' rights?	Yes – on website and outside the Town Hall on a notice board

	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	Yes
<b>12. Internal audit for the year ending 31 March 2018</b>	Verifying that the previous internal audit reports have been considered by the Council	The Council reviewed the Internal Audit report on 16/5/18.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit <b>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 <a href="https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim65970">https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim65970</a></b>	Yes: The Council reviewed its allowances for members on 13 <sup>th</sup> March 2019.
	Confirmation of appointment of Internal Auditor	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.
<b>13. External audit for the year ending 31 March 2018</b>	Verifying that the external audit report has been considered by the Council	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.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	N/A
<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	Yes – 16 <sup>th</sup> May 2018. The first item on the agenda was election of Chair.
	Correct identification of trustee responsibilities	Currently setting up a charity for the Mayoral charity.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The FGP Committee reviewed the ICO publication scheme on 27/3/19 <a href="https://www.felixstowe.gov.uk/about-felixstowe-tc/financial-information/">https://www.felixstowe.gov.uk/about-felixstowe-tc/financial-information/</a> was accessed 11/4/19 and was found up to date.
	Verifying that the council is registered with the ICO	Z4979399



<p>Verifying that the Council is compliant with the General Data Protection Regulation requirements</p>	<p>The Council considered data protection arrangements during this period. On 23/5/18, F&amp;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>
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Thank you to Debbie for your assistance in completing this audit

Signed..........

Date of Internal Audit Visit ...11<sup>th</sup> April 2019      Date of Internal Audit Report..11<sup>th</sup> April 2019

On behalf of Suffolk Association of Local Councils