



**Internal Audit Report**  
**Year ending: 31<sup>st</sup> March 2020**

<b>Name of Council:</b>	Felixstowe Town Council
<b>Income:</b>	£109,684 YTD 30/9/19
<b>Expenditure:</b>	£396,468 YTD 30/9/19
<b>Precept Figure:</b>	£578,113
<b>General Reserve:</b>	£385,601
<b>Earmarked Reserves:</b>	£623,466



## 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

<b>Subject</b>	<b>Requirements</b>	<b>Comments/Recommendations</b>
<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. The neat and tidiness of the records makes auditing so straightforward.
<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 15 May 2019
	Evidence that Financial Regulations have been adopted and reviewed regularly	The latest available Financial Regulations were adopted 15 <sup>th</sup> May 2019. The Council noted on 11/9/19 that NALC had issued an update.
	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 and reclaim for period ending 30 <sup>th</sup> June 2019 submitted

		3/7/19 for £3,426.86 and 30 <sup>th</sup> September 2019 submitted 2/10/19 for £3,483.94
	Has Council adopted the General Power of Competence and is it being correctly applied?	The Council resolved to adopt the General Power 15/05/19.
	S137 separately recorded, minuted and within statutory limits	Not applicable
	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 23/9/19. The Council had £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 2019/20 on 15/5/19, The Complaints Procedure was reviewed 15/5/19
	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., expiry date: 31/3/20
	Evidence that internal controls are documented and regularly reviewed	The Statement of Internal controls was reviewed by the F&GP committee meeting on 29/5/2019 and approved by full council on 12/6/19.
	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 29/5/19 and approved by Full Council on 12/6/19
<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	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 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 2019-20 the council had general reserves of £385,601 and earmarked reserves of £623,466.
<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 Finance & Governance Committee including income received.
	Does the Precept recorded agree to the Council Tax Authority's notification?	30/4/19 = £289,056.50 27/9/19 = £289,056.50 £578,113 = Correct, notification sent 11/01/19, matching the minutes of the meeting held 9/1/19 when the precept was agreed by Full Council
	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?	Yes
	If so, is there an adequate control system in place.	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?	Yes – as per other payments
	Verifying the process for agreeing rates of pay to be applied.	Personnel Committee agree rates of pay. On 15/05/19 the Council committed to pay its staff at least the Real Living Wage.

	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 August 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  Members of the Assets & Services Committee carried out a tour of council assets on 26/6/19
	Verifying that the Asset Register is reviewed annually	The Council reviewed the asset register 15/05/2019. The asset register as at 31/3/19 valued at £56,516.97, last updated 29/3/19 (cemetery store)
	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. A member is appointed to undertake a quarterly bank reconciliation.
	Confirm bank balances agree with bank statements	30/09/19 Town Council account 0687: £50,522.45 30/08/19 FTC Mayor's Charity Ball 0725: £563.11 (£3,500 each having been paid to Basic Life Charity and The Laydens community Café on 10/5/19) 30/09/19 Base rate reward 6831: £409,538.15

		30/09/19 Base rate tracker 5315: £300,644.97 19/07/19 Close Brothers 8730: £500,000 09/10/19 Petty Cash: £250, represented by £135.42 cash, £114.48 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 report back to Finance &amp; Governance Committee to confirm the reconciliation, this should be minuted.</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 – Part 3
	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 – Full Council 11/9/19 noted the Notice of Conclusion had been posted 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 2019</b>	Verifying that the previous internal audit reports have been considered by the Council	The Finance & Governance Committee reviewed the Internal Audit report on 29/5/19. The Council noted the report on 12/6/19. A councillor now signs the bank statements verifying they are correct.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	The advices regarding the General Power of Competence and signing the bank statements were noted by FGP Committee on 29/5/19.

	Confirmation of appointment of Internal Auditor	The Internal Auditor role was reviewed by the Finance & Governance Committee on 29/5/19 and SALC re-appointed by Full Council on 12/6/19.
<b>13.External audit for the year ending 31 March 2019</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 full Council on 11/9/19.
	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 – 15 <sup>th</sup> May 2019. The first item on the agenda was election of Chair.
	Members have signed their declarations of office	Yes – item 3 on the minutes of 15/05/19
	Correct identification of trustee responsibilities	A charity has been set up. Registered with the Charity Commission as Mayor of Felixstowe Charity Fund, reg no 1184138. The Council will transfer funds from the charity ball account to this new charity. <b>Recommendation: The appointment of an entirely independent trustee, completely removed from the Town Council, will provide resilience in the event of a meltdown within the Town Council and demonstrate the Council does not have defacto trustee responsibilities.</b>
	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 The excellent “seasonal magazine” produced by FTC contains useful information about the work of the council and key financial data. <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 9/10/19 and the September 2019 link was followed and information on transactions over £500 was found to be present.



	<b>Recommendation: The general Council finance information on the webpage referred to 2018/19 in the future tense and requires updating to carry information about the 2019/20 financial year.</b>
Verifying that the council is registered with the ICO	Z4979399
Verifying that the Council is compliant with the General Data Protection Regulation requirements	Yes On 13/6/18 the Council adopted a revised Data Protection Policy, privacy notice and data retention and disposal policy. On 15/5/19 the Council reviewed its FOI publication scheme.
Declaration of Climate Emergency	The Town Council declared a climate emergency at its meeting held 10/07/19 and set up a working group to determine how to reduce its carbon footprint to a minimum by 2030.

Thank you to Debbie for your assistance in completing this audit. FTC is a pleasure to audit, as always

Signed 

Date of Internal Audit Visit ...9<sup>th</sup> October 2019 Date of Internal Audit Report..9<sup>th</sup> October 2019

On behalf of Suffolk Association of Local Councils