

## Internal Audit Report Year ending: 31<sup>st</sup> March 2021

<b>Name of Council:</b>	Felixstowe Town Council
<b>Income:</b>	Budget = £762,990. So far, receipts up to 30/09/2020 is £796,261
<b>Expenditure:</b>	Budget = £740,957, So far expenditure up to 30/09/2020 is £704,100
<b>Precept Figure:</b>	£600,570
<b>General Reserve:</b>	£447,003 as at 31 <sup>st</sup> March 2020
<b>Earmarked Reserves:</b>	£618,333 as at 31 <sup>st</sup> March 2020

## **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 2019/20 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 complies
- 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 and verified by Councillors.
	Correct arithmetic and balancing	Yes
<b>2. Financial Regulations &amp; Standing Orders</b>	Evidence that standing orders have been adopted and reviewed regularly	Yes - Standing Orders were reviewed at the meetings held 20/05/2020 (min9b) and 9 <sup>th</sup> September 2020 (min206)
	Evidence that Financial Regulations have been adopted and reviewed regularly	Yes - Financial Regulations were reviewed at the meetings held 20/05/2020 (min9c) and 9 <sup>th</sup> September 2020 (min206)
	Evidence that a Responsible Financial Officer has been appointed with specific duties	Yes - this is within the contract of the Town Clerk
	Evidence that Financial Regulations have been tailored to the Council	Yes – The Financial Regulations as amended in September 2020 were inspected and found to be appropriately tailored.
<b>3. Payment controls</b>	Supporting paperwork for payments, and appropriate authorisation	Yes – A number of sample transactions were tested and found to be in order.
	Internet Banking transactions properly recorded/approved	Yes - The Council found it necessary to change the mandate and approval process due to a change in their bank's internet facility. This was reported and approved 09/09/2020 (min210)
	VAT correctly identified and reclaimed within time limits	Yes - VAT is itemised within the RBS Omega accounting system. Q1 refund of £3009.24 received 08/08/20 Q2 reclaim of £3,942.86 submitted 06/10/20

	Has Council adopted the General Power of Competence and is it being correctly applied?	Yes - 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	Yes - Public Works Loan Board Ref 08288 – Renovation of the Town Hall £17,365.97 was paid 21/09/20. The Council had £330,070.57 outstanding PWLB balance as at 31/3/2020.
<b>4. Risk Management</b>	Is there evidence of risk assessment documentation?	Yes - The risk management policy and risk register were reviewed at the meeting held 20/05/2020 (min9d)
	Evidence that risks are being identified and managed.	
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Yes - Policy YLL-2720856193 carried the following limits of indemnity: Employer's Liability: £10,000,000 Public liability: £15,000,000 Fidelity Guarantee: £2,000,000
	Evidence that insurance is adequate and has been reviewed on an annual basis	Yes - At the meeting of the Finance and Governance Committee held 27/05/2020 it was agreed to add 'cyber risk' insurances to the suite of insurances providing financial protection to the council (min34).  <i>Comment: contrary to the wording of the minute, insurance does not protect against IT risks; it provides financial wherewithal to recover. It remains important that risks are identified and mitigated through appropriate management.</i>
	Evidence that internal controls are documented and regularly reviewed	Yes - The Statement of Internal Control was considered by the full council meeting held 10/06/2020 (min60)
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	Yes - The Council carried out a review of the effectiveness of internal audit at its meeting held 10/06/2020 (min61)

<b>5. Budgetary controls</b>	Verifying that the budget has been properly prepared, and agreed	Yes – The budget was approved at the full council meeting held 08/01/2020 (min401) The actual budget set was not recorded in the minutes, nor in the minutes of the Finance and Governance meeting cited in the minute. However, the papers accompanying the agenda set out the budget estimate to be considered.  <b>Recommendation: <i>Minuting the budget approved by Full Council, even if it is the same as the papers provided with the agenda, removes any doubt as to what budget was approved.</i></b>
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	Yes – The precept was approved at the full council meeting held 08/01/2020. In accordance with good practice the minute records the total amount, percentage increase and implications for Band D council taxpayers (min401)
	Regular reporting of expenditure and variances from budget	Yes - Budget monitoring reports are received by Finance and Governance Committee at each of their meetings.
	Reserves held  General and Earmarked.	General Reserves £447,003 as at 31st March 2020 Earmarked Reserves £618,333 as at 31 <sup>st</sup> March 2020
<b>6. Income controls</b>	Is income properly recorded and promptly banked?	Yes
	Is income reported to full Council?	Yes - Within the context of main financial reporting and reporting by the Finance and Governance Committee
	Does the Precept recorded agree to the Council Tax Authority's notification?	Yes – The demand served on East Suffolk Council dated 09/01/2020 was for £600, 570. Tranche 1 was banked on 29/04/2020 £300,285 Tranche 2 was banked on 30/09/2020 £300,285
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	Yes – with the next submission due in December 2020, this audit refers to the report submitted for the year ending 31/03/2019.

	<ul style="list-style-type: none"> <li>• Is CIL income reported to Council?</li> <li>• Does unspent CIL income form part of Earmarked reserves?</li> </ul>	Yes - Finance and Governance Committee considered the CIL report on 28/11/2019 before it was submitted to ESC
	<ul style="list-style-type: none"> <li>• Has an annual report been produced</li> </ul>	Yes CIL 2018/19 EMR = 4,057.15 CIL 2019/20EMR = £30,245.03 CIL received to 13/11/2020 = £17,291.40
	<ul style="list-style-type: none"> <li>• Has it been published on the authority's website</li> </ul>	The report for the period ending 31/03/2020 is due in December 2020 Yes - the 2019 report was found on the website.
<b>7. Petty Cash</b>	Is a petty cash in operation?	Yes
	If so, is there an adequate control system in place.	Members approved topping up petty cash up to the value of £250 monthly, at the meeting held 20/05/2020 (min12). As the audit was carried out remotely due to Covid 19 restrictions, it was not possible to verify that the petty cash tin, receipt, and petty cash book reconcile.
<b>8. Payroll controls</b>	Do all employees have contracts of employment?	Yes – there are twelve employees listed on payroll. The payments for September 2020 were tested and found to match between the RTI submission and bank.
	Are arrangements in place for authorising of the payroll and payments by the Council?	Yes – the payroll is authorised along with other payments
	Verifying the process for agreeing rates of pay to be applied.	The personnel Committee or full council meet to discuss these matters
	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 – 7 staff are members of LGPS, 4 are members of NEST
Are other payments to employees reasonable and approved by the Council?	None seen	

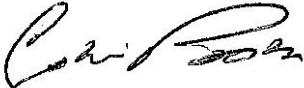
<b>9. Asset control</b>	Verifying the Council maintains an Asset Register in accordance with proper practises	Yes – as at 31 <sup>st</sup> March 2020 the asset register was valued (at acquisition) at £55,501.97
	Verifying that the Asset Register is reviewed annually	Yes - the asset register was reviewed at the meeting held 06/05/2020 (min573)
	Cross checking of Insurance cover	Yes - The asset register clearly identifies the insurance and asset valuations to enable cross-checking of insurances.
<b>10. Bank reconciliation</b>	Regularly completed and reconciled with cash book	Yes - reconciliations are done monthly. A councillor has been receiving emailed copies of the bank statement and cashbook to confirm the reconciliation, due to coronavirus restrictions.
	Confirm bank balances agree with bank statements	Yes - The auditor was provided with copies of bank accounts up to 30/09/20, evidencing the following balances match the cashbook 30/09/20 Town Council account 0687: £50,000 20/07/20 Close Brothers 9955: £500,000 30/09/20 Base rate reward 6831: £410,818.84 30/09/20 Business Premium Account 5315: £414,655.30
	Regular reporting of bank balances at council meetings	Yes – A quarterly report is provided by a councillor following checking the reconciliation.
<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 - The Annual Governance Statements were considered at the meeting held 10/06/2020 and approved. The council also considered the impact of coronavirus on the councils previously agreed budget, in accordance with para 1.39 (significant events) of the Practitioners Guide, before affirming assertion 8 of the annual governance statement, in accordance with good practice (min58i)

	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	Not Applicable
	Was there the opportunity provided for the exercise of electors' rights?	Yes, from 29 <sup>th</sup> June to 7 <sup>th</sup> August. The notice was found easily on the website, from the audit section on the financial information page.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	Yes - Finance and Governance Committee noted that the notice of conclusion of audit was displayed from 16th October to 2nd November 2020.
<b>12.Internal audit for the year ending 31 March 2020</b>	Verifying that the previous internal audit reports have been considered by the Council	Yes - The internal audit report for the year 2019/20 was considered by full council at the meeting held 10/06/2020 (min57)
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit  Fuel Genie Statements were seen and were interrogated to ensure a clear audit trail from point of purchase to allocation on the statement. It is noted that the statements for 01.10.19-31.10.19; 01.12.19-31.12.19; 01.01.20-31.01.20 and 01.02.20-29.02.20 had incomplete audit trails. <b>Recommendation: with reference to council's own FR 6.20, council should develop specific control procedures for the use of any payments by a trade card account which should include a procedure in place for the handling of such transactions including the requirement to submit receipts for all expenditure incurred.</b>	Yes – the issue was that some receipts were not found with the Fuel Genie report, to which they would normally be affixed. This has been investigated and resolved.
	Confirmation of appointment of Internal Auditor	SALC was appointed as the internal auditor at the full council meeting held 10/06/2020 (min61ii)
<b>13.External audit for the year ending 31 March 2020</b>	Verifying that the external audit report has been considered by the Council	Yes - The External audit report dated 08/10/2020 was found on the website and reported to Full Council on 11/11/2020
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	Not applicable – no issues or concerns were raised



<b>14. Additional Comments</b>	Annual meeting - held in accordance with legislation	Yes - The Annual Council meeting was held 20/05/2020 online. Councillor Jepson was elected Mayor as the first item of business.
	Correct identification of trustee responsibilities	The Mayor of Felixstowe Charity Fund, registered charity no. 1184138, has recently been registered with the Charity Commission to separate the responsibility of stewarding charitable funds from the Town Council. Naturally at the moment there remains a strong connection between the charity and the Town Council, but the auditor has been assured that the town council no longer exerts stewardship over the funds.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	Yes – Expenditure over £500 was found on the town council website for October 2020 An up-to-date publication scheme was found on the website
	Verifying that the council is registered with the ICO	Yes - Registration: Z4979399
	Verifying that the Council is compliant with the General Data Protection Regulation requirements  Are the following in place: <ul style="list-style-type: none"> <li>• Privacy Notices</li> <li>• Data Retention &amp; Disposal Policies</li> </ul>	Yes - The Council has taken action to ensure compliance including addressing issues of website accessibility (min209)  Privacy notices were found on the FTC website Adopted 09/09/2020 (min208)

Felixstowe Town Council continues to be a very well-run council providing good stewardship over public funds. The auditor thanks the Clerk and Deputy Clerk for their assistance in completing this audit remotely.

Signed 

Date of Internal Audit Visit 19<sup>th</sup> and 20<sup>th</sup> November 2020

Date of Internal Audit Report 20/11/2020

On behalf of Suffolk Association of Local Councils