



Internal Audit Report
Quarter ending: 30th September 2014

Name of Council:	Felixstowe Town Council
Precept figure:	£ 508,420.00
Income todate:	£ 654,516.00
Expenditure todate	£ 407,939.00



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
1. Proper Book-keeping	<p>Cash book updated regularly.</p> <p>S137 separately recorded and minuted.</p> <p>Correct arithmetic and balancing.</p>	<p>The council uses the Omega accounting package. Cash books are reconciled on a monthly basis.</p> <p>The accounts for payment schedule includes the relevant power.</p> <p>Spot checks were made and were found to be correct.</p>
2. Financial regulations, standing orders, payment controls	<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>Standing orders and financial regulations were reviewed and adopted 7 May 2014.</p> <p>VAT is identified in the cash book and purchase ledger, and is reclaimed on a quarterly basis. 12 items were cross checked against invoice, cash book and VAT listing and VAT reclaim. All were found to be in order.</p> <p>Quarterly VAT return seen for period ending 31 December 2014: Total £2,432.61.</p> <p>18 payments were cross checked against cheque book, cash book, bank statement, invoice and payment schedule included in council minutes. Cost code and centre are entered on the invoice, then stamped when paid, and cheque number inserted. All were found to be in order.</p> <p>A schedule of accounts for payment is produced which shows payee, details, value, VAT, nominal code/cost centre and power used. This is signed by councillors and RFO.</p>

		<p>The Barclaycard statement dated 2 December 2014 for £211.14 was checked against cash book, invoices and bank statement. All were found to be in order.</p> <p>The Fuel Genie statement dated 3 November 2014 for £85.06 was checked against cash book, receipts and bank statement. All were found to be in order.</p>
3. Risk management	<p>Evidence that risks are being identified and managed.</p>	<p>The council reviewed its governance and risk management policy at Finance and General Purposes committee (F&GPC) 21 January 2015; this was recommended for adoption by full council.</p> <p>Safety testing on memorials in cemetery was minuted at the meeting of the Cemetery and Allotment committee on 18 November 2014.</p> <p>Insurance representative visited Town clerk for a pre-renewal review. Policy is due for renewal 1 April 2015.</p> <p>Fidelity Guarantee cover: £1.5million Employers liability: £10million Public liability: £10million</p>
4. Budgetary controls	<p>Verifying that the budget has been properly prepared, and agreed.</p> <p>Regular reporting of expenditure and variances from budget.</p>	<p>A budget report was presented to F&GPC 21 January 2015, this listed explanations for variances in excess of the estimated budget by 10% or £500.</p> <p>Accounts to 31 October 2014 were received by FG&PC on 19 November 2014.</p>
5. Income controls	<p>Monitoring of precept and any other Income.</p>	<p>6 items of income were cross checked against invoice, cash book and bank statement. All were found to be in order.</p>

	Reserves General and Earmarked.	At the end of the financial year 2013/14 the council held the following reserves: General: £86,644.21 Earmarked: £595,067 The projected reserves for year end 2014/15 are as follows: General £102,131 Earmarked £683,167.
6. Petty cash/expenses procedure	Established system in place, and associated supporting documents	The petty cash float is £250. Receipts are required for expenditure. 5 items of were checked against receipts and cash book. All were found to be in order.
7. Payroll controls	PAYE/ NIC system in place.	<p>The council operates a PAYE system, using the 'Moneysoft' payroll package to accommodate the HMRC real time information.</p> <p>Cross checks were completed on 3 items, salary, PAYE and LGPS pension contributions, these were all found to be in order.</p> <p>Non-consolidated payments were paid to employees in December 2014.</p> <p>The national pay award was noted at council meeting 3 December 2014. No adjustment is needed to the salary budget.</p> <p>A review of the budget for 2014/15 indicates that the council claimed the £2000 national insurance employment allowance.</p> <p>The eligibility guidance (attached) states that 'Public authorities (such as local authorities, town councils and parish councils) are not eligible for the Employment Allowance unless they have charitable status.'</p> <p><i>Recommendation: That the payroll software providers are contacted for advice on how to correct the £2000 reduction in national insurance contributions (see page 6 of claiming allowance document).</i></p>

8. Asset control	Inspection of Asset register. Cross checking of Insurance cover.	The current schedule of assets was noted at council meeting 21 May 2014. The schedule and insurance policy have been updated to include the chainsaw and its usage. Five items were checked against asset register and insurance policy. All were found to be in order.
9. Bank reconciliation	Regularly completed, reconcile with cash book.	Bank reconciliations are completed on a monthly basis. The bank reconciliation shows an unreconciled difference of £90 – reference 102540 Wesel. <i>Recommendation: Review and reconcile item before year end.</i> Bank balances at 31 December 2014: Imprest account: £8,000.00 Town Council account: £50,000.00 Tracker account: £334,329.70 Base rate reward: £402,021.11 Lloyds 1 year fixed term: £200,000.00 A request has been sent to the bank to close the imprest account and transfer any remaining funds to the tracker account. The investment bond is due to mature on 13 January 2015. The clerk has been authorised to invest funds in a new one year fixed bond at the best rate available.
10. Review of the system of internal control	Date review completed.	Internal controls were reviewed by F&GPC 21 January 2015 as part of the governance and risk management policy; this was recommended for adoption by full council.

11. Recommendations from previous internal audit	1. Discretions policy for LGPS.	Reviewed by F&GPC 21 January 2015, for adoption by full council, with recommendation that 'member' is changed to 'scheme member'.
12. Additional comments		<p>The internal audit report for 30 September 2014 was received at F&GPC meeting 19 November 2014.</p> <p>Changes to committees and structures and their associated terms of reference were agreed at council meeting 3 December 2014, these changes will come in to effect from the annual council meeting on 20 May 2015.</p> <p>Members reviewed the member/officer protocol, an amendment to paragraph 4.3 was made and it was agreed in future to review the policy every 3 years.</p> <p>Social media policy was reviewed by F&GPC and recommended for adoption to full council on 21 January 2015.</p> <p>The council approved design for a new website, funding was agreed to a maximum budget of £8,000. The new site would be launched by 31 March 2015.</p>

Signed

Date

On behalf of Suffolk Association of Local Councils