

Internal Audit Report
Quarter ending: 31st December 2015

Name of Council:	Felixstowe Town Council
Precept figure:	£ 522,361
Income to date:	£656,843
Expenditure to date:	£477,806

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>£137 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.</p> <p>No errors were found in the sample income and payments tested. Petty Cash was 10p short.</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 reviewed and adopted 20 May 2015.</p> <p>VAT is identified in the cash book and purchase ledger. Quarterly VAT return seen for period ending 31st December 2015: Total £4,280.22 claimed back.</p> <p>10 payments were cross checked against cheque book, cash book, bank statement, invoice and payment list included in council minutes. All were found to be in order. The voucher numbering between the accounts cash book and the cheque list folder was out of sync between vouchers 281 and 306. This is an internal reference only.</p> <p>The Barclaycard payment for 27th November 2015 for £131.02 was checked against cash book, statement and receipts. All was found in good order.</p> <p>The fuel Genie statement dated 8th December 2015 for £172.95</p>

		was checked against cash book, statement and receipts. All was found in good order.
3. Risk management	Evidence that risks are being identified and managed.	The council reviewed its Risk management policy and risk register for 2015-16 at full council meeting 10 June 2015. The Council is working towards Quality Gold council status, which will entail a comprehensive review of the systems of operation and publishing of information, which is a significant contribution to risk management
4. Budgetary controls	Verifying that the budget has been properly prepared, and agreed. Regular reporting of expenditure and variances from budget.	The precept and budget were agreed and the council requested precept of £522,361 and received council tax support grant of £34,160.41. Budgeted income for 2015-16 is £675,392 and expenditure is £632,958. The 2016/17 budget has been regularly discussed by relevant committees from October onwards. The second half-year combined payment of the precept and LCTSG was received on 7 th September from SCDC. An income and expenditure to date report is received at each meeting of the finance and general purposes committee and the full council.
5. Income controls	Monitoring of precept and any other Income. Reserves	4 items of income were cross checked against invoice, cash book and bank statement. All were found to be in order. The system of recording daily takings has been improved, with one bank paying-in page per daily takings page to ensure ease of cross-checking payments and banking At the end of the financial year 2014-15 the council had general

	General and Earmarked.	reserves of £184,110 and earmarked reserves of £683,501. Current expenditure against earmarked reserves at 31/12/15 is £48,490.
6. Petty cash/expenses procedure	Established system in place, and associated supporting documents	The petty cash float is usually £250. Receipts are required for expenditure. Receipts with a total value of £97.89 were found in the petty cash tin, along with £132.01 cash, plus £20 taken for petty cash at the cemetery.
		Petty cash receipts for the period ending 18 th November were checked and found to be properly recorded.
7. Payroll controls	PAYE/ NIC system in place. Records relating to contract of employment.	Payroll Payflow sheets were checked against Council records and found to be in good order.
	Obligations in respect of Pensions Auto-enrolment is understood.	Auto-enrolment is from April 2016. 9 members of staff are already members of the LGPS. 10 members of staff earned over the £833pcm threshold to be auto-enrolled in December. Personnel Committee discussed auto-enrolment at their meeting 14 th October 2015.
8. Asset control	Inspection of Asset register. Cross checking of Insurance cover.	The current schedule of assets was adopted at council meeting 20 May 2015. The annual insurance review was minuted 20 May 2015. The policy was further reviewed 25 th November 2015 and amendments made. A separate policy for vehicles is in place.
9. Bank reconciliation	Regularly completed, reconcile with cash book. Bank balances at 31 st December 2015:	Bank reconciliations are completed on a monthly basis. All were found to be in order. Town Council account: £50,000 FTC Mayor's Official Allowance Acct: £3768.12

		<p>FTC Mayor's Charity Ball Acct: £1,578.73 Tracker account: £390,411.06 Unpresented cheques: £2,200 Base rate reward: £404,224 Nationwide: £200,000.00 as at 13th April 2015, no later statement was available. Petty Cash: £250</p>
<p>10. Review of the system of Internal control</p>	<p>Date review completed.</p>	<p>Internal controls were reviewed and adopted at finance and general purposes committee meeting on 24 June 2015. Review of internal audit effectiveness was agreed by full council 10 June 2015.</p>
<p>11. Actions on previous recommendations</p>	<p>Recommendation: Adopt latest FR when available. Recommendation: Review £10,000 limit on card as a mitigation measure against card fraud. Recent spending has never neared £1,000. The higher limit may be justified, but if so should be regularly reviewed and minuted. Recommendation: Council should consider whether the scheme of delegation should include authorisation in advance for the taking of legal action on behalf of the Council. Recommendation: Whilst the officers have considered mitigation measures to prevent re-occurrence, these proposals should be submitted to the F&GP Committee to endorse and approve any changes to debtor control systems.</p>	<p>Current version is the latest available. F&GPs have noted this and agreed to consider this recommendation in due course F&GP Committee authorised the clerk to take action through the small claims court 23rd September 2015 F&GPs have noted this and agreed to consider this recommendation in due course</p>

	<p>Recommendation: Payroll "Payflow" records were found in the main purchase ledger file for invoices. These documents contain confidential personnel information covered by the Data Protection Act [bank details, payments] and therefore should be kept separately in a secure store.</p>	<p>The records have been moved to be with the secure personnel files.</p>
<p>12. Additional comments</p>		<p>The annual meeting of the Town Council was held on the 20 May 2015. The Q2 report of the Internal Audit was noted by the F&GP Committee on 28th October 2015. The outcome of the External audit was reported to Full Council on 11th November 2015. No matters were arising and the Notice of Conclusion was displayed as required. Congratulations to the Town Council on winning the SALC Website of the Year 2015.</p>

Signed 

Date: 26th January 2016

On behalf of Suffolk Association of Local Councils