

Internal Audit Report
Quarter ending: 30th September 2015

Name of Council:	Felixstowe Town Council
Precept figure:	£ 522,361
Income to date:	£614,770
Expenditure to date:	£297,490



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	Cash book updated regularly.	The council uses the RBS Omega accounting package. The cash book is reconciled on a monthly basis.

	<p>S137 separately recorded and minuted.</p> <p>Correct arithmetic and balancing.</p>	<p>The accounts for payment schedule includes the relevant power and details are published online.</p> <p>10% purchase ledger spot checks were made. All found to be in order</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>The latest available Standing Orders and Financial Regulations were reviewed and adopted 20 May 2015. However, new model financial regulations are due out very shortly Recommendation: Adopt latest FR when available.</p> <p>VAT is identified in the cash book and purchase ledger. A 5% check was carried out and found to be satisfactory. Quarterly VAT return seen for period ending 30 September 2015: Total £4,255.01</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.</p> <p>The Barclaycard payment for 27th August 2015 for £392.38 was checked against cash book, statement and receipts. All was found in good order. 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.</p> <p>The fuel Genie statement dated 3rd August 2015 for £272.68 was checked against cash book, statement and receipts. All was found in good order.</p>
3. Risk management	<p>Evidence that risks are being identified and managed.</p>	<p>The council reviewed its Risk management policy and risk register for 2015-16 at full council meeting 10 June 2015.</p>

<p>4. Budgetary controls</p>	<p>Verifying that the budget has been properly prepared, and agreed.</p> <p>Regular reporting of expenditure and variances from budget.</p>	<p>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.</p> <p>The second half-year combined payment of the precept and LCTSG was received on 7th September from SCDC.</p> <p>An income and expenditure to date report is received at each meeting of the finance and general purposes committee and the full council.</p>
<p>5. Income controls</p>	<p>Monitoring of precept and any other Income.</p> <p>Reserves General and Earmarked.</p>	<p>3 items of income were cross checked against invoice, cash book and bank statement. All were found to be in order. The Council does not use the Sales Ledger module.</p> <p>At the end of the financial year 2014-15 the council had general reserves of £184,110 and earmarked reserves of £683,501. Current expenditure against earmarked reserves is £39,680.</p> <p>On 11th August a claim was issued in the County court by FTC in respect of unpaid bills dating from 31.5.15 to 29.7.15, owed by a single customer in the sum of £1,667.75. The action taken was reported to the F&GP Committee in September 2015. The actions taken appear to have been proportionate and necessary.</p> <p>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.</p> <p>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>6. Petty cash/expenses procedure</p>	<p>Established system in place, and associated</p>	<p>The petty cash float is £250. Receipts are required for expenditure. All items for April to June were checked against receipts and cash book. All were found to be in order.</p>

	supporting documents	Council agreed that the RFO plus the finance administrator and cemetery/allotment officer are authorised by council to withdraw up to £250 per month from council's bank account by way of an open credit agreement for the purposes of maintaining a petty cash float only. This is operating now.
7. Payroll controls	PAYE/ NIC system in place. Records relating to contract of employment.	The council operates a PAYE system, using the 'Moneysoft' payroll package to accommodate the HMRC real time information. As no changes had happened in payroll since the last quarterly internal audit, a general review of operation was carried out. Auto enrolment staging date is in 2016 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.
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.
9. Bank reconciliation	Regularly completed, reconcile with cash book.	Bank reconciliations are completed on a monthly basis. All were found to be in order. Bank balances at 30 September 2015: Town Council account: £50,854.40 Tracker account: £496,032.89 Unpresented cheques: £0 Base rate reward: £403,532.58 Nationwide: £200,000.00 as at 13 th April 2015, no later statement was available. Petty Cash: £250

10. Review of the system of internal control	Date review completed.	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.
11. Additional comments		The annual meeting of the Town Council was held on the 20 May 2015. The appointment of the internal auditor for 2015-16 was agreed and minuted 10 June 2015.

Signed

Date

On behalf of Suffolk Association of Local Councils