

**Internal Audit Report**  
**Quarter ending: 30<sup>th</sup> September 2016**

<b>Name of Council:</b>	Felixstowe Town Council
<b>Precept figure:</b>	£ 537,347
<b>Income to date:</b>	£631,569
<b>Expenditure to date:</b>	£315,645

### **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
<b>1. Proper Book-keeping</b>	Cash book updated regularly.  \$137 separately recorded and minuted.  Correct arithmetic and balancing.	The council uses the RBS Omega accounting package. The cash book is reconciled on a monthly basis.  The accounts for payment schedule includes the relevant power and details are published online.  No errors were found in the sample payments tested. Petty Cash was found to be correct.
<b>2. Financial regulations, standing orders, payment controls</b>	Evidence that standing orders and financial regulations have been adopted.  VAT is identified and reclaimed.  Supporting paperwork for payments, Invoices, and appropriate authorisation	The latest available Standing Orders and Financial Regulations were adopted 11 May 2016 and are on the website.  VAT is identified in the cash book and purchase ledger. Quarterly VAT return seen for period ending 30 <sup>th</sup> September 2016: Total £5,301.93 claimed back.  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 Barclaycard statements were checked for expenditure consistent with proper use of the card. All was found in satisfactory order.  The fuel Genie statement dated 1 <sup>st</sup> August 2016 for £264.62 was checked against cash book, statement and receipts. All was found in good order.
<b>3. Risk management</b>	Evidence that risks are being identified and managed.	The council reviewed its Risk management policy and risk register for 2016-17 at full council meeting 11 May 2016.  An investment policy and strategy was adopted 9/3/16.  An Occasional Grants Policy was adopted 9/3/16.

		<p>A Complaints Procedure was adopted 11/5/16</p> <p>The ICO Model Publication Scheme for Freedom of Information was adopted 11/5/16</p> <p>Full Council approved the carrying out of a Tree Survey on Council-owned land at the meeting held 14/9/16.</p>
<b>4. Budgetary controls</b>	<p>Verifying that the budget has been properly prepared, and agreed.</p>	<p>The precept and budget were agreed and the council requested precept of £537,347 and received council tax support grant of £19,364.</p> <p>The Finance &amp; General Purposes Committee received an interim budget monitoring report on 28/9/16. The Committee also approved legal action in respect of a debtor.</p> <p>The second half-year combined payment of the precept and LCTSG was received on 27/9/16 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>
<b>5. Income controls</b>	<p>Monitoring of precept and any other Income.</p> <p>Reserves General and Earmarked.</p>	<p>4 items of income were cross checked against invoice, cash book and bank statement. All were found to be in order.</p> <p>At the end of the financial year 2015-16 the council had general reserves of £254,643 and earmarked reserves of £676,245. Total expenditure against earmarked reserves at 30/09/16 is £25,040.</p>
<b>6. Petty cash/expenses procedure</b>	<p>Established system in place, and associated supporting documents</p>	<p>The petty cash float is £250. Receipts are required for expenditure. Receipts with a total value of £169.76 were found in the petty cash tin, along with £80.24 cash.</p> <p>Petty cash receipts for the period ending 30/09/16 were checked and found to be properly recorded.</p>
<b>7. Payroll controls</b>	<p>PAYE/ NIC system in place.</p>	<p>Payroll Payflow sheets were checked against Council records and found to be in good</p>

	Records relating to contract of employment.	order. HMRC and Pensions Payments were checked against bank and payroll and found to match. On 6/9/16 the Personnel Committee reviewed pension arrangements for staff to ensure obligations under auto-enrolment are met. This was subsequently adopted by Full Council 14/9/16.
<b>8. Asset control</b>	Inspection of Asset register. Cross checking of Insurance cover.	Asset register was updated for end of year, with fixed assets of £50,206.80. No change has been reported. Council resolved on 9/3/16 to enter into a three-year agreement with WPS Insurance.
<b>9. Bank reconciliation</b>	Regularly completed, reconcile with cash book. Bank balances at 30 <sup>th</sup> September 2016:	Bank reconciliations are completed on a monthly basis. All were found to be in order. Town Council account: £50,000.00 FTC Mayor's Official Allowance Acct: £13.89. The balance having been transferred to the Mayor to hold their own allowance. FTC Mayor's Charity Ball Acct: £4,843.81 Tracker account: £387,326.62 Base rate reward: £405,560.42 Nationwide: £400,141.40 fixed bond On 13/7/16 the Council approved the deposit of £197,606.58 into the Nationwide Investment Bond on 3/6/16. Petty Cash: £250, represented by £169.76 in receipts, £80.24 cash.
<b>10. Review of the system of internal control</b>	Date review completed.	Internal controls were reviewed and adopted at F&GP committee meeting on 25/5/2016 and approved by full council on 8/6/16. Review of internal audit effectiveness was agreed by F&GP 25/5/2016 and Full Council on 8/6/16
<b>11. Actions on previous recommendations</b>	Recommendation: Adopt latest FR when available.	None required
<b>12. Additional comments</b>		The annual meeting of the Town Council was held on the 11 May 2016. The election

		<p>of Mayor was the first item on the agenda.</p> <p>The Internal Auditor was appointed 8/6/16</p> <p>The External audit was reported to Council on 14/9/16. No matters were raised. The Notice of Conclusion of Audit was displayed outside the Town Hall for the period 15-31 August. The annual return with external auditor's certificate is on the Council website.</p> <p>A Business Plan for the period 2016-2020 was adopted by the Council 14/9/16, setting out a very broad range of activity for the Town Council.</p> <p>The Audit found no issues to report to the Council, other than the financial arrangements remain very sound and the Council is to be commended for the way it is governed and managed. In the next review of internal financial controls, Councilors may wish to review the requirement for quarterly internal audits. Six-monthly audits may be more appropriate for a Council of this standard.</p> <p>Thank you to the Town Council staff for their co-operation with the internal audit.</p>
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Date: 13<sup>th</sup> October 2016

On behalf of Suffolk Association of Local Councils