

Internal Audit Report
Quarter ending: 31st December 2016

Name of Council:	Felixstowe Town Council
Precept figure:	£ 537,347
Income to date:	£666,867
Expenditure to date:	£536,780



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>S137 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 payments tested. Petty Cash was found to be correct.</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 adopted 11 May 2016 and are on the website.</p> <p>VAT is identified in the cash book and purchase ledger. Quarterly VAT return seen for period ending 30th September 2016: Total £5,301.93 claimed, received 12/10/16.</p> <p>VAT Return for period ending 31st December 2016 submitted 4/1/17 for £10,334.23.</p> <p>9 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 statements were checked for expenditure consistent with proper use of the card. All was found in satisfactory order.</p> <p>The fuel Genie statement dated 1/12/16 for £160.04 was checked against cash book, statement and receipts. All was found in good order.</p>

<p>3. Risk management</p>	<p>Evidence that risks are being identified and managed.</p>	<p>The council reviewed its Risk management policy and risk register for 2016-17 at full council meeting 11 May 2016.</p> <p>An investment policy and strategy was adopted 9/3/16. An Occasional Grants Policy was adopted 9/3/16. A Complaints Procedure was adopted 11/5/16 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 and agreed to carry out works identified, as recommended by the Assets and Services Committee held 2/11, at the Full Council meeting held 9/11/16.</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 £537,347 and received council tax support grant of £19,364.</p> <p>Committees considered budget reports and draft budgets for 2017/18 at their meetings held in October and November 2016. Finance and General Purposes Committee approved a draft budget to recommend to Full Council at their meeting held 23/11/16</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>The Finance & General Purposes Committee received an interim budget monitoring report on 23/11/16.</p>
<p>5. Income controls</p>	<p>Monitoring of precept and any other Income.</p> <p>Reserves</p>	<p>5 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 31/12/16 is £81,454.</p>

<p>6. Petty cash/expenses procedure</p>	<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 £114.31 were found in the petty cash tin, along with £135.69 cash.</p> <p>Petty cash receipts for the period ending 31/12/16 were checked and found to be properly recorded.</p>
<p>7. Payroll controls</p>	<p>PAYE/ NIC system in place. Records relating to contract of employment.</p>	<p>Payroll Payflow sheets were checked against Council records and found to be in good order. HMRC and Pensions Payments to LGPS and NEST were checked against bank and payroll and found to match. Redundancy payments were made in respect of a restructure of staffing.</p> <p>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.</p>
<p>8. Asset control</p>	<p>Inspection of Asset register. Cross checking of Insurance cover.</p>	<p>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.</p>
<p>9. Bank reconciliation</p>	<p>Regularly completed, reconcile with cash book. Bank balances at 30th December 2016:</p>	<p>Bank reconciliations are completed on a monthly basis. All were found to be in order.</p> <p>Town Council account: £50,000.00 FTC Mayor's Official Allowance Acct: £13.89. This balance was transferred to the Town Council Account on 7/11 but a zero-balance statement is still awaited. FTC Mayor's Charity Ball Acct: £8,202.37 Tracker account: £197,982.92 Base rate reward: £406,157.97 Nationwide: £400,141.40 fixed bond Petty Cash: £250, represented by £114.31 in receipts, £135.69 cash.</p>

<p>10. Review of the system of internal control</p>	<p>Date review completed.</p>	<p>Internal controls were reviewed and adopted at F&GP committee meeting on 25/5/2016 and approved by full council on 8/6/16.</p> <p>Review of internal audit effectiveness was agreed by F&GP 25/5/2016 and Full Council on 8/6/16</p>
<p>11. Actions on previous recommendations</p>	<p>Recommendation: Consider reduction in number of internal audit visits commensurate with the high standard of operation of the council.</p>	<p>The Finance and General Purposes Committee recommended a reduction in the number of internal audit visits from 4 to 2 at the meeting held 23/11/16</p>
<p>12. Additional comments</p>		<p>The annual meeting of the Town Council was held on the 11 May 2016. The election of Mayor was the first item on the agenda.</p> <p>The Internal Auditor was appointed 8/6/16. The Q2 internal audit report was considered by the Finance and General Purposes Committee on 23rd November 2016.</p> <p>The Council resolved it was ready to submit an application for the Local Council Award Scheme GOLD Award at the meeting held 9/11/16.</p> <p>Thank you to the Town Council staff for their co-operation with the internal audit.</p>

Signed


Date: 5th January 2017

On behalf of Suffolk Association of Local Councils