

Internal Audit Report for Felixstowe Town Council for the year ending 31st March 2023

| | |
|--------------------|-----------------------------|
| Clerk | Ash Tadjrishi |
| RFO (if different) | As Above |
| Chairperson | Sharon Harkin to 31/03/23 |
| Precept | £ 612,735.64 |
| Income | £ 893,407.53 |
| Expenditure | £ 861,515.03 |
| General reserves | £ 390,827.73 as at 31/03/23 |
| Earmarked reserves | £ 873,849.39 as at 31/03/23 |
| Audit type | Year End |
| Auditor name | Colin Poole |

Introduction

The primary objective of internal audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council. To achieve this SALC 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 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

Methodology

When conducting the audit, the internal auditor may:

- conduct 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 the Annual Internal Audit Report 2022/23 of the Annual Governance and Accountability Return (AGAR)
- 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 complies
- review the operations and activities to ascertain whether results are consistent with objectives and whether they are being conducted as planned

| Section 1 – proper bookkeeping | | |
|--|-----|--|
| The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified. | | |
| Evidence | | <i>Internal auditor commentary</i> |
| <i>Is the ledger maintained and up to date?</i> | Yes | The council uses the Scribe accounting package which produces reports on a receipts and payments basis , and the RFO carries out an accrual at year end only, which is in accordance with Proper Practice as set out in section 2.4 of the <i>Practitioners’ Guide 2021</i> . |
| <i>Is the cash book up to date and regularly verified?</i> | Yes | Cash books are reconciled on a monthly basis, both sales and purchase ledgers are maintained using the Scribe accounting system. Reports including bank reconciliation goes to council meetings. The system is paperless and the auditor was given access to the accounts system to carry out random sampling. |
| <i>Is the arithmetic correct?</i> | Yes | |
| Additional comments: | | |

| Section 2 – Financial Regulation and Standing Orders | | |
|---|-----|---|
| The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC'S latest model which include legislative changes. | | |
| Evidence | | <i>Internal auditor commentary</i> |
| Have Standing Orders been adopted, up to date and reviewed annually? | Yes | Standing Orders were reviewed at the meeting held 18/05/2022 (min10b). The Finance and Governance Committee reviewed the Standing Orders for recommendation to Full Council on 22/03/23 (min 471) |
| Are Financial Regulations up to date and reviewed annually? | Yes | Finance Regulations were reviewed at the meeting held 18/05/2022 (min10c). The Finance and Governance Committee reviewed the Financial Regulations for recommendation to Full Council on 22/03/23 (min 472) |
| Has the Council properly tailored the Financial Regulations? | Yes | |
| Has the Council appointed a Responsible Financial Officer (RFO)? ¹ | Yes | Within the contract of the Town Clerk |
| <i>Additional comments:</i> | | |

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls

The internal auditor will specifically check bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. The internal auditor will examine how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made differs from the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. The internal auditor will check if the Council has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.

| Evidence | | Internal auditor commentary |
|--|-----------------------|---|
| Is there supporting paperwork for payments with appropriate authorisation? | Yes | A random sample of recent transactions was selected at this audit, following the electronic trail of invoice, authorisation, payment and recording in the cashbook. All was found to be in order. |
| Where applicable, are internet banking transactions properly recorded and approved? | Yes | Recommendation: Councillors should date their authorisations to demonstrate the authorisation took place before the payment occurred. |
| Is VAT correctly identified, recorded and claimed within time limits? | Yes | A VAT return for Q1 was submitted 13/07/22 for £7,309.74, refund received 19/07/2022 A VAT return for Q2 was submitted 14/10/22 for £2,585.02 refund received 20/10/2022 A VAT return for Q3 was submitted 24/01/23 for £2,303.58, refund received 31/01/2023 A VAT return for Q4 was submitted 02/05/23 for £7,255.57 |
| Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ² | Yes | Yes, at the meeting held 15-05-2019. |
| Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate? | <i>Not Applicable</i> | |

² Localism Act

³ Section 137 of the Local Government Act 1972 (“the 1972 Act”) enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The basic power is for a local council to spend money (subject to the statutory limit – of £8.12 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

| | | |
|---|-----|---|
| Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements? | Yes | PWLB ref 08288: Renovation of Town Hall £17,365.97 was paid 21/09/22 £17,365.97 was paid 21/03/23 Outstanding balance as at 31/03/23 = £271,361.18 |
| Additional comments: | | |

| Section 4 – Risk management | | |
|---|-----|--|
| The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council. | | |
| Evidence | | Internal auditor commentary |
| <i>Is there evidence of risk assessment documentation?</i> | Yes | The risk management policy and register were reviewed at the meeting held 18/05/2022 (min 10). The Finance and Governance Committee reviewed the Risk Management Policy for recommendation to Full Council on 22/03/23 (min 473) |
| <i>Is there evidence that risks are being identified and managed?</i> | Yes | The Finance & Governance Committee reviewed the council investment policy and strategy on 18/01/2023 (min 370) which was adopted at full council on 08/03/23 (min 450). |
| <i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee and has been reviewed on an annual basis?</i> | Yes | The Council's Insurance document was seen, insurances expiring 31/03/2024. Public liability cover is £15 million Employer's liability cover is £10 million Fidelity Guarantee cover is £2 million An insurance adequacy review was carried out by the Finance & Governance Committee on 18/01/2023 (min 371) |
| <i>Evidence that internal controls are documented and regularly reviewed⁴</i> | Yes | The Statement of Internal Controls was reviewed at the meeting held 22/06/2022 (min 81) |

⁴ Accounts and Audit Regulations

| | | |
|---|-----|---|
| <i>Evidence that a review of the effectiveness of internal audit has been carried out during the year⁵</i> | Yes | The Effectiveness of Internal Audit was reviewed at the meeting held 22/06/2022 (min 80i) |
| Additional comments: | | |

| Section 5 – Budgetary controls | | |
|---|-----|---|
| The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed | | |
| Evidence | | Internal auditor commentary |
| <i>Verify that budget has been properly prepared and agreed</i> | Yes | <p>The budget for 2022/23 was approved at the full council meeting held 12/01/2022 (min 318) In accordance with good practice the minute records the budget figures clearly setting out budgeted income and expenditure.</p> <p>The Budget for 2023/24 was considered by the Finance & Governance Committee on 8/12/22 and by Full Council on 11/01/23 (min 359). The minutes recorded the budget figures, clearly setting out income and expenditure.</p> |
| <i>Verify that the precept amount has been agreed in full Council and clearly minuted</i> | Yes | <p>The precept for 2022/23 was approved at the full council meeting held 12/01/2022 (min 318) In accordance with good practice the minute records the total amount, percentage increase and implications for Band D council taxpayers.</p> <p>The precept for 2023/24 was considered after the budget was agreed and the minutes properly set out the impact of the decision of the council on council tax. The finance & Governance committee properly considered the impact of a 0% uplift in the precept upon the general reserves of the council.</p> |

⁵ Governance and Accountability Guide

| | | |
|---|-----|---|
| | | Note: As the general reserves are within the expected range for the council and will still be within the expected range despite spending from reserves to support a freeze on council tax, this is a reasonable step to cover short-term increased costs. However, Councillors should note that if increased costs are not temporary, achieving a balanced budget in subsequent years can become more challenging as the gap met by spending from reserves will at some point have to be covered as well as inflation. |
| <i>Regular reporting of expenditure and variances from budget</i> | Yes | Budget monitoring reports are received by Finance and Governance Committee at each of their meetings. |
| <i>Reserves held – general and earmarked⁶</i> | Yes | The Finance and Governance Committee considered an Earmarked reserves report on 18/01/23 (min 369). General Reserves £390,827 as at 31 st March 2023, representing 8 months net revenue expenditure. Earmarked Reserves £873,849.39 as at 31 st March 2023 |
| Additional comments: | | |

⁶ In accordance with proper practices, the generally accepted minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months of Net Revenue Expenditure

| Section 6 – income controls | | |
|---|-----|---|
| The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this. | | |
| Evidence | | Internal auditor commentary |
| <i>Is income properly recorded and promptly banked?</i> | Yes | A random sample of income was cross checked against cash book, bank statement and invoices. No inconsistencies were found. |
| <i>Is income reported to full council?</i> | Yes | Within the context of main financial reporting and reporting by the Finance and Governance Committee |
| <i>Does the precept recorded agree to the Council Tax Authority's notification?</i> | Yes | The demand served on East Suffolk Council dated 14/01/2022 was for £612,735.64. Tranche 1 was banked on 29/04/2022 £306,367.82 Tranche 2 was banked on 30/09/2022 £306,367.82 |
| <i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i> | Yes | The next submission due in December 2023 CIL 2018/19 Receipts = £4,057.15 |
| <i>Is CIL income reported to the council?</i> | Yes | CIL 2019/20 Receipts = £30,245.03 CIL 2020/21 Receipts = £17,291.40 |
| <i>Does unspent CIL income form part of earmarked reserves?</i> | Yes | CIL 2021/22 Receipts = £77,289.65 CIL Received to 31/03/23 = £116,511.36 |
| <i>Has an annual report been produced?</i> | Yes | |
| <i>Has it been published on the authority's website?</i> | Yes | The report to 31/03/2022 was found on the website. The report to March 2023 is due by 31 st December |
| Additional comments: | | |

⁷ Community Infrastructure Levy Regulations 2010

| Section 7 – petty cash | | |
|---|-----|---|
| The Internal Auditor will seek evidence that the Council has followed its own policies, procedures, and verification processes and that these are up to date. | | |
| Evidence | | Internal auditor commentary |
| <i>Is petty cash in operation?</i> | Yes | Receipts = £58.70 Cash = £191.30 Total = £250.00 |
| <i>If appropriate, is there an adequate control system in place?</i> | Yes | Members approved topping up petty cash up to the value of £250 monthly, at the meeting held 18/05/2022 (min13). |
| Additional comments: | | |

| Section 8 – Payroll controls | | |
|--|-----|--|
| The Internal Auditor will check salaries were approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 1 st April 2014, evidence will be required to show compliance with the new requirements for the statement of employment, Induction, probation periods and training requirements. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips. | | |
| Evidence | | Internal auditor commentary |
| <i>Do all employees have contracts of employment?</i> | Yes | There are fourteen employees listed on payroll as at 31/03/23, plus the mayor to allow proper tax treatment of the Mayoral allowance. A sample of payments were tested and found to match between the RTI submission and bank. |
| <i>Has the Council approved salary paid?</i> | Yes | |
| <i>Minimum wage paid?</i> | Yes | |
| <i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i> | Yes | |
| <i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i> | Yes | In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded for every employee. Deductions are paid to HM Revenue and Customs and Suffolk County Council on or before the dates prescribed. |
| <i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i> | Yes | As at 31/03/2023, 6 staff were members of LGPS, 8 are members of NEST. |
| <i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i> | Yes | Expenses |
| Additional comments: | | |

⁸ The Pension Regulator – [website click here](#)

| Section 9 – Asset control | | |
|---|-----|--|
| The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location, and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval. | | |
| Evidence | | Internal auditor commentary |
| <i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i> | Yes | The Asset register to 31/03/2023 was adopted by the Council at the meeting held 17/05/2023 (min 9). Total of fixed assets for 31/03/2023 is £324,068.94 |
| <i>Is the value of the assets included? (Note value for insurance purposes may differ)</i> | Yes | |
| <i>Are records of deeds, articles, land registry title number available?</i> | Yes | |
| <i>Is the asset register up to date and reviewed annually?</i> | Yes | The asset register was reviewed by the Assets and Services Committee meeting held 26/04/2023 and adopted by Full Council at the meeting held 17/05/2023. |
| <i>Cross checking of insurance cover</i> | Yes | The asset register clearly identifies the insurance and asset valuations to enable cross-checking of insurances. |
| <i>Additional comments:</i> | | |

⁹ Practitioners Guide

| Section 10 – bank reconciliation | | |
|---|-----|--|
| The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation. | | |
| Evidence | | Internal auditor commentary |
| <i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i> | Yes | Reconciliations are done monthly. A councillor signs a reconciliation sheet and initials the bank statements. A very neat system. |
| <i>Do bank balances agree with bank statements?</i> | Yes | The auditor viewed bank statements up to 31/03/23, evidencing the following balances match the cashbook 31/03/23 Town Council account 0687: £50,750 20/07/22* Close Brothers 4778: £500,000 31/03/23 Business Premium Account 5315: £298,364.03 31/03/23 Nationwide BS 5179: £410,901.01 *Close Brothers year is 21/07 – 20/07. Interest is paid into A/C 5315 each 20/07 |
| <i>Is there regular reporting of bank balances at Council meetings?</i> | Yes | Very full reports are provided to each regular full council meeting and on the website. |

| Section 11 – year end procedures | | |
|--|-----|--|
| Evidence | | <i>Internal auditor commentary</i> |
| <i>Are appropriate accounting procedures used?</i> | Yes | Monthly accounts are produced on a receipts and payments basis and converted into Income and Expenditure accounts at year end. |
| <i>Financial trail from records to presented accounts</i> | Yes | |
| <i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i> | Yes | As Council is a smaller authority with gross income and expenditure exceeding £25,000 but not exceeding £6.5million it has completed Part 3 and Section 1 Accounting Statements of the AGAR. |
| <i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i> | N/A | |
| <i>During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?</i> | No | This matter was covered at the interim audit in September 2022 |
| <i>Have the publication requirements been met in accordance with the Regulations?¹¹</i> | Yes | The notice of conclusion of audit was on display in the notice board from 29th September 2022 and found on the website. https://felixstowe.gov.uk/wp-content/uploads/2022/10/Conclusion-of-Audit-2021-22.pdf |
| Additional comments: | | |

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

| Section 12 – internal audit | | |
|---|-----|---|
| The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken. | | |
| Evidence | | <i>Internal auditor commentary</i> |
| <i>Has the Council considered the previous internal audit report?</i> | Yes | The interim internal audit report for the year ending March 31 st 2023 was considered by the full council on 09/11/2022 (min 271). |
| <i>Has appropriate action been taken regarding the recommendations raised?</i> | Yes | Finance and Governance Committee considered the recommendation at the meeting held 26/10/22 (min249) |
| <i>Has the Council confirmed the appointment of an internal auditor?</i> | Yes | SALC was appointed as the internal auditor at the full council meeting held 22/06/2022 (min80ii) |
| Additional comments: | | |

| Section 13 – external audit for the period under review | | |
|--|-----|---|
| The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be considered. | | |
| Evidence | | <i>Internal auditor commentary</i> |
| <i>Has the Council considered the previous external audit report?¹²</i> | Yes | The External audit report dated 23/09/2022 was considered at both the Finance & Governance Committee on 26/10/22 and the full council on 09/11/22 (min 270) |
| <i>Has appropriate action been taken regarding the comments raised?</i> | Yes | The Clerk has noted the instruction from the External auditor to answer “no” to assertion 4 of the AGAR for 2022/23 and to ensure proper provision is provided for the exercise of public rights in subsequent years. This was noted by the F&G Committee and Full Council. |
| Additional comments: The council chose not to opt out of the SAAA external audit arrangements at the meeting held 07-09-2022 (min175), in accordance with good practice. | | |

¹² Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (i.e., All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

| Section 14 – additional information | | |
|---|-----|---|
| The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations. | | |
| Evidence | | <i>Internal auditor commentary</i> |
| <i>Was the annual meeting held in accordance with legislation?</i> ¹³ <i>(Note to auditor- emergency Regulations because of the COVID-19 pandemic)</i> ¹⁴ | Yes | The Annual Council meeting was held 18/05/2022. Councillor Harkin was elected Mayor as the first item of business. |
| <i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁵ | Yes | |
| <i>Is there a list of members' interests held?</i> | Yes | As this audit is being carried out within 28 days of an ordinary election not all councillors' Registers of Interests are on the East Suffolk website. Links are in place to allow this to happen |
| <i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i> | No | |
| <i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i> | Yes | Information on payments above £500 were found to be on the website up to 31 st March 2023. |
| <i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁶ | Yes | Reference Z4979399 expires 25/09/2023 |
| <i>Is the Council compliant with the General Data Protection Regulation requirements?</i> | Yes | The council's privacy policy was found at https://felixstowe.gov.uk/sample-page/privacy-policy/ accessed 22/05/23 |

¹³ The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

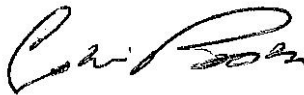
¹⁴ The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

¹⁵ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972, and the Localism Act 2011

¹⁶ Data Protection Act 2018

| | | |
|--|-----|---|
| <i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁷</i> | Yes | https://www.felixstowe.gov.uk/wp-content/uploads/2020/09/Website-Accessibility-Statement.pdf was accessed 22/05/23 |
| <i>Does the council have official email addresses for correspondence?¹⁸</i> | Yes | |
| <i>Is there evidence that electronic files are backed up?</i> | Yes | FTC uses cloud-based systems backed up through Sharepoint, which is GDPR compliant, and Scribe is a cloud-based system. |
| <i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i> | Yes | The Annual Meeting held 14/05/2022 approved updated terms of reference for all committees (min 10a) |
| Additional comments: <i>Many thanks to Shaun, Debbie and Ash for their assistance. Well done to Felixstowe Town Council which continues to demonstrate why it is a Quality Gold council.</i> | | |

Signed:



Colin Poole on behalf of SALC

Date of Internal Audit Visit: 22nd May 2023

Date of Internal Audit Report: 22nd May 2023

On behalf of Suffolk Association of Local Councils

¹⁷ Website Accessibility Regulations 2018

¹⁸ Practitioners Guide