



**Internal Audit Report  
For the Year Ending 31<sup>st</sup> March 2018**

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| <b>Name of Council:</b>     | Woodbridge Town Council |
| <b>Income to date:</b>      | £365,700 (rounded)      |
| <b>Expenditure to date:</b> | £ 384,668 (rounded)     |
| <b>Precept figure:</b>      | £ 285,600               |
| <b>General Reserve:</b>     | £340,334                |
| <b>Earmarked Reserve:</b>   | £105,184                |



### **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 the Annual Internal Audit Report 2017/18 of the Annual Governance and Accountability Return 2017/18 - Part 3
- 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  |
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| <p><b>1. Proper book-keeping</b></p>                                      | <p>Cash book updated regularly.</p> <p>Correct arithmetic and balancing.</p>  | <p>The council uses the Omega accounting package. Cash books are reconciled on a monthly basis. Council uses the Omega Accounting System for sales and purchase ledgers.</p> <p>Spot checks were made and were found to be correct.</p>   |
| <p><b>2. Financial Regulations, Standing Orders, Payment Controls</b></p> | <p>Evidence that standing orders and financial regulations have been adopted.</p> <p>VAT is identified and reclaimed.</p> | <p>Whilst Model Standing Orders (SO) and Financial Regulations (FR) , with particular reference to Woodbridge Town Council, were adopted by the Town Council at a meeting of 11<sup>th</sup> April 2017, Council should be aware of changes to SO18 and FR11.</p> <p><b>Recommendation: during the Council's annual review of its Standing Orders, Council should bear in mind that new Model Standing Orders have been produced by NALC and take into account changes in legislation since those produced in 2013 - L04-18 Model Standing Orders refers. Council should ensure that such amendments, as covered by legislation, are incorporated.</b></p> <p><b>Recommendation: during the Council's annual review of its Financial Regulations, Council should consider incorporating the changes in procurement values for contracting authorities as per the 2015 Regulations. Council should ensure that Financial Regulations reflect the thresholds as set by Article 4 of the Public Contracts Directive (Regulation 5(1) of the 2015 Regulations) - LTN 87 refers</b></p> <p>VAT claim for the period 1<sup>st</sup> April to 30<sup>th</sup> June 2017 in the net sum of £7,185.42 was submitted on 11<sup>th</sup> July 2017 and settled by HM Revenue and Customs (HMRC) on 31<sup>st</sup> August 2017.</p> <p>Agreement was forthcoming at a meeting of the Town Council of 13<sup>th</sup> June 2017 to opt to tax (for VAT) purposes on Council's land and buildings. This would be extended to those buildings being gifted to the Town. VAT is identified in sales and purchase ledger cash</p> |

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|  | <p>Supporting paperwork for payments, invoices, and appropriate authorisation</p> <p>Does the council use General Power of Competence.</p> | <p>books and the petty cash book and is to be reclaimed on a quarterly basis.</p> <p>Certificate of Registration for Value Added Tax (dated 06.09.2017) seen - Council's VAT Registration Number is stated as 268 4119 85. Council is required to submit its first return under this registration for the period ending 31<sup>st</sup> October 2017 (changed by the Council with agreement from HMRC to 30<sup>th</sup> September 2017 to provide continuity) and then three monthly thereafter.</p> <ul style="list-style-type: none"> <li>• VAT claim for the period 1<sup>st</sup> July to 31<sup>st</sup> September 2017 in the net sum of £8,433.93 was submitted on 30<sup>th</sup> October 2017 and settled by HMRC on 20<sup>th</sup> November 2017.</li> <li>• VAT claim for the period 1<sup>st</sup> October to 31<sup>st</sup> December 2017 in the net sum of £7,579.14 was submitted on 23<sup>rd</sup> January 2018 and settled by HMRC 29<sup>th</sup> January 2018.</li> <li>• VAT claim for the period 1st January to 31st March 2018 in the net sum of £14,232.58 was submitted on 26th April 2018 with an expected date of settlement by HMRC of 7th May 2018.</li> </ul> <p>All payments over £500 were cross checked against cheque book (where applicable), BACS requests, cash book, bank statement, invoice and minutes. All were found to be recorded/authorised correctly.</p> <p>6 items paid under BACS / Direct Credit into the Council's Accounts were cross checked against cash-book, bank statements and invoices. All were found to be in order.</p> <p>Council continues with its system of ensuring that the Accounts for Payment list including the HSBC.net and Corporate Card Reports are checked by a Councillor prior to each Town Council Meeting.</p> <p>Council resolved at Annual General Meeting of 9<sup>th</sup> May 2017 to use the General Power of Competence, where appropriate, for the Civic Year.</p> |
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|                                     |   | <p><i>Comment: whilst Council no longer meets the eligibility criteria to exercise the General Power of Competence as per the Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012 because it no longer employs a qualified clerk, the 'Explanatory Note' to the above mentioned 2012 Order provides clear understanding that in such circumstances the Council will continue to be eligible until the next relevant annual meeting.</i></p>  |
| <p><b>3. Budgetary Controls</b></p> | <p>Verifying that the budget has been properly prepared, and agreed.</p> <p>Regular reporting of expenditure and variances from budget.</p> | <p>Recommendation from Finance and Staffing Committee of 10<sup>th</sup> January 2017 that a budget in the sum of £285,590 be set with a precept of £285,600 (rounded) (nil increase) was approved by Full Council at its meeting of 17<sup>th</sup> January 2017.</p> <p>Whilst it has been previously inferred that detailed Income and Expenditure reports by budget heading (Cost Centre &amp; Committee) for each quarter are received and approved at Finance and Staffing Committee Meetings in accordance with Model Standing Orders and Financial Regulations there were no details attached to the minutes at the time of the Annual Internal Audit nor were such reports uploaded to the Members Area of the website for Councillor perusal for the year under review.</p> <p><b>Recommendation: in accordance with Council's own Standing Orders, Council should receive and consider a report submitted by the Responsible Financial Officer as soon as practicable after 30 June, 30 September and 31 December which contains a statement to summarize:</b></p> <ul style="list-style-type: none"> <li><b>i. the council's receipts and payments for each quarter;</b></li> <li><b>ii. the council's aggregate receipts and payments for the year to date;</b></li> <li><b>iii. the balances held at the end of the quarter being report</b></li> </ul> <p><b>and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends.</b></p> |
| <p><b>4. Risk Management</b></p>    | <p>Evidence that risks are being identified and managed.</p>  | <p>The Risk Assessment and Financial Management Document for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 was considered at a meeting of the Town Council on 11<sup>th</sup> July 2017 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.</p>   |

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|  | <p>Insurance cover for Employment, Public Liability and Fidelity Guarantee</p> | <p>The Council's suite of Policies showed that the following have been updated during the year under review:<br/> Market Regulations - December 2017<br/> Information Protection Policy - November 2017<br/> Information Incident Policy - November 2017<br/> Computer &amp; Telephone Misuse Policy - November 2017<br/> eReceptionist Message - March 2018<br/> Contingency Plan for Operation of the Whisstocks M Sliding Floodgate - V4 - March 2018</p> <p>The Council's Directory of Risk Assessments and Review Dates was seen – updates are clearly noted with effective dates inserted.<br/> The following documents relating to the Town Council's ownership and management of (part) of the Whisstocks Site were agreed to be signed by the Town Clerk and the Town Mayor (in accordance with the Town Council's SO 22) at full Council meeting of 14<sup>th</sup> November 2017:<br/> Land at Deben Wharf (to be known as Public Space)<br/> Land and buildings at Deben Wharf known as The Heritage Building and the Longshed<br/> Deed of Covenant relating to the buildings at Deben Wharf<br/> Deed of Variation relating to land at Whisstocks Boatyard and Quayside Mill</p> <p>Insurance document seen and the following were verified:<br/> Public liability cover is £15million<br/> Hirer's Liability cover is £2million<br/> Employer's liability cover is £10million<br/> Fidelity Guarantee cover is £500,000<br/> Material Damage cover is in place for 12 premises as noted on the documents seen.<br/> 'All Risks' has cover for the following items:<br/> Street Furniture<br/> War Memorial and Statue of Queen Victoria<br/> Quaker Burial Ground Walls<br/> Play Equipment</p> |
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|   | Reserves<br>General and Earmarked.                               | <p><i>proportion of CIL funds should ensure that it complies with its duty to produce an annual report that details the amount of CIL funds received and spent. This should be published on the Parish Council's website by December of the year in question. (e.g. for the financial year 2017/18 the report must be published by 31<sup>st</sup> December 2018). The report must be published on the Town Council website.</i></p> <p>At the end of the financial year for 2017- 2018 Council had General Reserves of £340,334 and Earmarked Reserves of £105,184 which shows an overall reduction of £18,959.</p> <p><i>Comment: in accordance with Financial Regulation 4.2, the Town Council understands that where expenditure is to exceed the amount provided in the revenue budget for that class of expenditure, a virement from reserves into the revenue budget may only be made following a resolution of the council, or duly delegated committee.</i></p> |
| <b>6. Petty Cash/Expenses Procedure</b> | Established system in place, and associated supporting documents | <p>All petty cash payments are supported by receipts and are entered in to the petty cash book. Petty cash reconciliations are carried out on a monthly basis and cheques raised to ensure sufficient funds to allow the float to be adequately maintained.</p> <p>Balance at date of internal audit was £21.61 which was verified from the book and receipts seen.</p>  |
| <b>7. Payroll Controls</b>              | PAYE/ NIC system in place. HMRC RTI.                             | <p>The Council operates a RTI system.' Moneysoft' payroll software used.</p> <p>Council had 6 employees on its payroll during the year under review, 4 of which were members of the Local Government Pensions Scheme as operated by Suffolk County Council.</p> <p>Annual Returns as submitted to Suffolk County Council under the Local Government Pension Scheme Regulations 2013 were submitted during April 2018.</p> <p>Employer's End of Year Summary for 2017-18 was seen and cross checked against details held on file.</p> <p>Cross-checks were completed on 3 items each of Salary, NIC, PAYE and Pension Contributions, these were all found to be in order. All deductions are paid over to the relevant authorities in a timely manner.</p>  |

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| <p><b>8.<br/>Asset Control</b></p>       | <p>Inspection of Asset register.</p>   | <p>The Asset Register in its entirety was reviewed during the Internal Audit Visit for year-end and accurately reflects those items listed under insurance and within the Town Council's remit for maintenance and ownership.</p> <p>It is noted that the declared value for all assets at year-end (31.03.2018) was £10,568,413 which includes Community Heritage Building (Insurance Value 500k; Community Boat Shed (Insurance Value £1,100,000); Community Open Space, Floodgates &amp; Boundaries (Insurance Value 400k &amp; Drums to the Fore and Aft Statue (Insurance Value £66,950).</p> <p>All other assets have been stated as at the Insurance Value.</p> <p>Council is mindful of the External Auditor's comments on the valuation of its assets for the year ended 31<sup>st</sup> March 2018 and reference has been drawn from the Proper Practices - Governance and Accountability for Smaller Authorities in England March 2017 - which states that authorities may apply the insurance value of the asset at the time of first recording as a proxy. The Council should ensure that the method of valuation applied is published and provide explanations in changes in value to any previously recorded assets. Furthermore the Council should be able to track and explain fully any changes in the asset register from year to year in accordance with proper practices.</p> |
| <p><b>9.<br/>Bank Reconciliation</b></p> | <p>Regularly completed, reconcile with cash book.</p> <p>Confirm bank balances agree with bank statements.</p> | <p>Bank reconciliations are completed on a monthly basis and reconcile with the cash sheets. Overall there is regular reporting of bank balances submitted to the Town Council at each Town Council Meeting.</p> <p>Bank balances as at 31<sup>st</sup> March 2018 agree with the bank statements.<br/> Current account: £4,494.87<br/> Business money manager: £97,695.37<br/> IBS: £369,328.23<br/> Petty Cash: £21.61</p>   |
| <p><b>10.<br/>Annual Review of</b></p>   | <p>Date Review completed</p>   | <p>Whilst the effectiveness of internal audit for the period of 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 was agreed at a meeting of full Town Council on 11<sup>th</sup> July 2017 there is no reference to the</p>   |

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| <b>Internal Controls</b>                                       |  | <p>formal consideration of Council's Internal Controls. Council should be aware that it is required to conduct a view of the effectiveness of the system of internal control on an annual basis.</p> <p><b>Recommendation: the Council must ensure that it has a sound system of internal controls (Regulation 3 of the Accounts and Audit Regulations 2015) and should formally review the effectiveness of its system of internal controls (Regulation 6(1)) and consider the findings of the review at a full Town Council during the year under review.</b></p>  |
| <b>11. Review of Internal Audit Report</b>                     | Review of Internal Audit Report  | The Internal Auditor's Report for Quarter 3 of the Year 2017-2018 was not considered during the year under review and was presented to and accepted by the Town Council at its meeting of 10 <sup>th</sup> April 2018.   |
| <b>12. Recommendations from Previous Internal Audit Report</b> | Items raised within the Internal Audit Report submitted for the Quarter ending 30 <sup>th</sup> December 2017. | 1. Review of Standing Orders and Financial Regulations with reference to NALC LTN 87 - OUSTANDING  |
| <b>13. Review of External Audit Report</b>                     | Review of External Audit Report  | <p>The External Audit and and issues arising from the report submitted by BDO LLP for the period ending 31<sup>st</sup> March 2017 was presented to full Council at a meeting on 10<sup>th</sup> October 2017. Council resolved to accept the report which drew reference to the change in asset values relating to insurance valuations for Tide Mill and Community Hall Buildings.</p> <p><i>Comment:</i></p> <ol style="list-style-type: none"> <li>1. <i>The Town Council needs to be aware that any changes to audited figures should have the words RESTATED inserted at the top of the column on the Annual Return along with an explanation as to the changes being made.</i></li> <li>2. <i>The Council will need to be mindful of section 5.61 of the Governance and Accountability for Smaller Authorities in England March 2017 and ensure that it tracks and explains fully any changes in the asset register from year to year.</i></li> </ol> |

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| <b>14. Year-end Procedures</b> | Appropriate accounting procedures used.  | <p>Accounts produced on an income and expenditure basis.</p> <p>Debtors: £5,100.21<br/> VAT: £14,232.58<br/> Prepaid expenses: £479.00<br/> Creditors: £34,105.00<br/> Accrued expenses: £1,540.40<br/> PAYE: £2,173.30<br/> Income in advance: £8,014.75</p> <p>All were found to be in order.</p>   |
| <b>15. Annual Return</b>       | Completion of the relevant section of the Annual Governance and Accountability Return (AGAR) | <p>As the Town Council is a smaller authority with gross income and expenditure exceeding £25,000 but not exceeding £6.5 million, it has completed Part 3 of the AGAR.</p> <p>The smaller authority has completed Pages 4 and 5 of the AGAR which are unsigned at time of audit awaiting presentation to full Council.</p> <p>The Internal Auditor has completed the relevant page of this form.</p>  |
| <b>16. Additional comments</b> | Annual Meeting   | Annual Meeting of the Town Council was held on 9 <sup>th</sup> May 2017 and following Declarations of Interest and address of outgoing Mayor, the next item of business was the election of the Town Mayor.   |
|                                | Arrangements in place for the public inspection of the council's records                     | <p>The Council has complied with the requirements of the Accounts and Audit Regulations 2015 and published the following on its website:</p> <p>Section 1 - Annual Governance Statement 2016/17<br/> Section 2 - Accounting Statements 2016/17<br/> Section 3 - The External Auditor Certificate 2016/17<br/> Section 4 - Internal Auditor Report 2016/17<br/> Notice of the period for the exercise of public rights and other information required by Regulation 15(2) Accounts and Audit Regulations 2015.</p> |

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|  |   | <i>Comment: Council should ensure that, where reference is made to an External and/or Internal Audit Report, to ensure clarity and understanding of the Council's financial transactions, these should also be uploaded to the website.</i>   |
|  | Confirmation of trustee responsibilities  | The Council is trustee of Elmhurst Park and Kingston Field.   |
|  | Verifying that the council is registered with the ICO   | The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation. Registration No. Z5069580 refers.   |
|  | Verifying that the Council is making progress towards meeting the General Data Protection Regulation requirements | Council is aware of GDPR requirements and is taking steps towards ensuring compliance.  |
|  |   | The Internal Auditor offers her appreciation for the assistance given by the Town Clerk and members of her staff in completing this audit. Recommendations have been made to enable the Council to follow the proper accounting and governance practices ('proper practices' referred to in statute. For the year 1st April 2018 please refer to Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements - March 2018 |

Signed *V S Waples*

Date of Internal Audit Visit: 30.04.2018

Date of Internal Audit Report: 30.04.2018

On behalf of Suffolk Association of Local Councils