



**Internal Audit Report
For the Quarter Ending 30th September 2018**

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| Name of Council: | Woodbridge Town Council |
| Income to date: | £ 356,626 (rounded) |
| Expenditure to date: | £ 171,859 (rounded) |
| Precept figure: | £ 306,400 |



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>1. Proper book-keeping</p> | <p>Cash book updated regularly.</p> <p>Correct arithmetic and balancing.</p> | <p>The council uses the Omega accounting package which produces reports on an Income and Expenditure basis. Council follows Proper Practices in ensuring that its accounting procedure gives a more accurate presentation of an authority's true financial position by focusing on the balance of economic benefits that it has under its control, rather than just its bank balance.</p> <p>Cash books are reconciled on a monthly basis and the Town Council is registered for VAT, both sales and purchase ledgers are implemented via the Omega Accounting system.</p> <p>Spot checks were made and were found to be correct and the Responsible Financial Officer ensures that the cash book is the focus for day-to-day accounting and balancing off and reconciliation to the bank statement, and remains the most important control over the accounting system.</p> |
| <p>2. Financial regulations, standing orders, payment controls</p> | <p>Evidence that standing orders and financial regulations have been adopted.</p> <p>Terms of Reference for Committee</p> | <p>Model Standing Orders and Financial Regulations, with particular reference to Woodbridge Town Council, were reviewed and adopted by the Town Council at a meeting of 15th May 2018.</p> <p>As per the recommendation from the last Internal Audit visit, Council is aware of the requirement to ensure that the Financial Regulations are fully tailored to the Town Council by removing the alternative options for a council and in particular removing the square brackets [] as this creates ambiguity. It is noted that the Financial Regulations to be presented at the annual review will reflect this amendment.</p> <p>The Terms of Reference for full Council and its Committees, outlining the scope and delegated authority for decision making, were reviewed during the Internal Audit visit. Whilst 4.4 of the Town Council's Terms of Reference state "To consider all other matters outside of any other Committee's Terms of Reference", it is noted that the Finance and Staffing Committee is the Committee that considers and approves items relating to Internal Audit.</p> <p>Recommendation: that the Terms of Reference for the Finance and Staffing Committee be expanded to allow for consideration of the internal audit reports which are aimed at supporting and informing members considering the authority's approval of the annual governance statement. The Terms of Reference should also outline the procedures to be taken should the reports identify any areas for development or change in internal audit. (Refer to Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide to Proper Practices – March 2018 for further information on action plan)</p> |

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| | <p>VAT is identified and reclaimed.</p> <p>Supporting paperwork for payments, invoices, and appropriate authorisation</p> <p>Does the council use General Power of Competence.</p> | <p>During the previous year, Council decided to opt to tax (for VAT) purposes on Council's land and buildings. This has been extended to those buildings being gifted to the Town. VAT is identified in both sales and purchase ledger cash books and is reclaimed on a quarterly basis. Certificate of Registration for Value Added Tax (dated 06.09.2017) seen - Council's VAT Registration Number is stated as 268 4119 85.</p> <p>VAT claim for the period 1st July to 30th September 2018 in the net sum of £2,909.91 was submitted on 8th October 2018 with a settlement still to be effective by HM Revenue and Customs.</p> <p>All payments over £500 were cross checked against cheque book (where applicable), BACS requests, cash book, bank statement, invoice, order forms (where relevant) and minutes. All were found to be recorded/authorised correctly.</p> <p>The Council's Purchase Order file for items placed in accordance with Financial Regulation 10.1 was reviewed. 1 significant order (in excess of £1,000) was placed during the period under review: order placed with D.J. Moyse Surfacing Ltd for the re-surfacing of Elmhurst Park at a cost of £2750 ex VAT as approved at the Town Council Meeting of 11th September 2018 minute reference 198 – Order Number 2087.</p> <p>6 items paid via the BACS / Direct Debit system from 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 are checked by an authorised member of the Finance and Staffing Committee prior to each Town Council Meeting.</p> <p>Council resolved at Annual General Meeting of 9th May 2017 to use the General Power of Competence, where appropriate.</p> <p>At a meeting of 3rd July 2018, held to discuss Grant Applications for 2018, a total of £11,745 was awarded in grant funding against an annual budget of £12,000.</p> <p>Council understands that whilst it 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</p> |
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| | | provides clear understanding that in such circumstances the Council will continue to be eligible until the next relevant annual meeting. |
| 3. Budgetary controls | <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 7th November 2017 that a budget in the sum of £306,336 be set with a precept of £306,400 (rounded) (7.26% increase) was approved by Full Council at its meeting of 12th December 2017.</p> <p>Detailed income and expenditure reports by budget heading (Cost Centre & Committee) detailing variances to/from budgeted expenditure for the 1st quarter ending 30th June 2018 were received and discussed at a Finance and Staffing Committee Meeting of 17th July 2018 in accordance with Council's own Standing Orders. The minutes from this committee meeting were submitted and approved to full Council at a meeting of 11th September 2018.</p> |
| 4. Income controls | <p>Monitoring of Precept.</p> <p>Monitoring of any other Income.</p> <p>Rental / Fee Charges</p> <p>Outstanding Debts</p> | <p>The council received precept of £153,200 in April 2018 as per the remittance advice received from Suffolk Coastal District Council (SCDC) and as reported under minute reference 79 of the meeting of 12th June 2018 and a further £153,200 in September 2018 as per the remittance advice received from SCDC. This was reported to the Town Council at its meeting of 9th October 2018 under minute reference 251.</p> <p>18 items of income were cross checked against cash book, paying-in book, bank statement and invoices. All were found to be in order and in accordance with Proper Practices, the Responsible Financial Officer ensures that the accounting records contain entries from day to day of all sums of money received.</p> <p>6 further items paid under BACS / Direct Credit into the Council's Accounts were cross checked against cash-book, bank statements and invoices raised by the Town Council. All were found to be in order.</p> <p>Rental charges, Wedding Charges & fees for the hire of venues for the year 2018/2019 along with the implementation of a charging policy for Whisstocks Place were agreed at a Finance and Staffing Committee Meeting of 19th June 2018 and were presented and approved by Town Council at its meeting of 10th July 2018.</p> <p>It is noted that an invoice submitted to a debtor has only partially been paid and that the VAT element of that invoice is still outstanding and that the recommendation of the Town Clerk is for this debt to be written off.</p> |

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| | <p>CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010.</p> <p>Reserves General and Earmarked.</p> | <p><i>Comment: Council should note that Proper Guidance states that uncollectible amounts, including bad debts, should only be written off with the approval of members, or under delegated authority, by the RFO and that such approval should be shown in the accounting records.</i></p> <p>CIL Funds received for the year to date totals £11,783.07 as received in April 2018 and as reported under Minute Reference 79 of the meeting of 12th June 2018.</p> <p><i>Comment: in accordance with the 2010 Regulations, the Town Council having received a 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 2018/19 the report must be published by 31st December 2019). The report must be published on the Town Council website.</i></p> <p>For the year commencing 1st April 2018 Council had General Reserves of £340,334 and Earmarked Reserves of £105,184 as brought forward from 31st March 2018.</p> <p>Agreement was forthcoming at the meeting of 12th June 2018 that the Woodbridge Tide Mill Trist would receive a grant of £7,500 - £6,000 as budgeted with an additional £1,500 from the Tide Mill Trust earmarked reserve for the current year only.</p> <p><i>Comment: in accordance with Financial Regulation 4.2, Council has ensured 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> |
| <p>5. Petty cash/expenses procedure</p> | <p>Established system in place with supporting documents</p> | <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>At the Finance and Staffing Committee Meeting of 18th September 2018, members agreed that, at the next annual review of its Financial Regulations, Council would amend the values to be kept for Petty Cash Balances and that a petty cash float of £200 will be maintained for the purposes of defraying operational and other expenses.</p> |

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| 6. Payroll controls | PAYE/ NIC system in place. | <p>'Moneysoft' payroll software used which ensures that the Council operates within the RTI system and submits full payment monthly submissions.</p> <p>Council had 7 employees on its payroll at the period end of 30th September 2018, 4 of which were members of the Local Government Pensions Scheme as operated by Suffolk County Council.</p> <p>Cross-checks were completed on 6 items each of salary, PAYE and pension contributions and these were all found to be in order. 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.</p> |
| 7. Asset control | Inspection of Asset register. | <p>Asset register declared at year-end (31.03.2018) is £10,568,413 which includes Tide Mill, Woodbridge Community Hall and Woodbridge Art Club which was approved at the Town Council Meeting of 15th May 2018.</p> <p>The Council's Insurance document was seen, and the following were verified: Public liability cover is £15million Hirer's Liability cover is £2million Employer's liability cover is £10million Fidelity Guarantee cover is £500,000</p> <p>The Finance and Staffing Committee agreed at a meeting of 18th September 2018 to review the level of Fidelity Guarantee Insurance being held when the Town Clerk meets with the Council's Insurance Company in October. Material Damage cover is in place for 12 premises as noted on the documents seen. 'All Risks' has cover for the following items: Street Furniture War Memorial and Statue of Queen Victoria Quaker Burial Ground Walls Play Equipment Civic Regalia 21ft Imperial Bandstand Solar Panels located at the Community Hall Photocopier as leased under agreement Drums to the Fore and Aft Statue</p> |

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| <p>8. Bank reconciliation</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.</p> <p>Overall there is regular reporting of bank balances within the financial reports submitted to the Town Council at each Town Council Meeting.</p> <p><i>Comment: Council is aware that, in accordance with Proper Practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities.</i></p> <p>At the meeting of 9th October 2018 it was confirmed that the Council was in receipt of a Corporate Card.</p> <p>Bank balances as at 30th September 2018 and agree with the bank statements. Current Account: £6,367.86 Business Money Manager Account: £55,199.09 Building Society: £595,728.23 (to 27th September 2018)</p> |
| <p>9. Recommendations from previous internal audit 30th June 2018</p> | <p>Action plan following recommendations from previous internal audit visit</p> | <ol style="list-style-type: none"> 1. Tailor Financial Regulations to the Town Council by removing the alternative options for a council and in particular removing the square brackets – IN PROGRESS and to be signed off at the Annual Review 2. Within its own Financial Regulations, amend the values to be kept for Petty Cash Balances in line with agreed actions as undertaken by the Town Council (minute reference 14 of meeting of 09.05.17) – IN PROGRESS and to be signed off at the Annual Review 3. Review the appropriate level of fidelity guarantee insurance being held – IN PROGRESS |
| <p>10. Review of Internal Audit</p> | <p>1. Review of Internal Audit Report</p> | <p>The Internal Auditor's Report for the period ending 30th June 2018 was considered and accepted at the Finance and Staffing Committee Meeting of 18th September 2018 and approved at the Annual Town Council Meeting of 9th October 2018.</p> <p>Council was in agreement to accept Recommendations 1 and 2 (as outlined above) of the Internal Audit Report with an Action Plan as to their implementation to be drawn up and discussed further. It was agreed that the Town Clerk would discuss Recommendation 3 with the Council's Insurance Company in October. The Town Clerk has produced an Action Plan covering the recommendations made under such reports for the year 2018-2019.</p> <p>It was further agreed at the Finance and Staffing Committee meeting of 18th September that the Town Clerk would ascertain when the last insurance cover was reviewed and, if over 3 years, would implement a further review.</p> |

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| 11. Additional comments | Annual Meeting: | Annual Meeting of the Town Council was held on 15 th May 2018 with the first item on the agenda being the election of the town mayor. |
| | | <p>The Internal Auditor offers her appreciation for the assistance given by the Town Clerk and members of her staff in completing this audit.</p> <p>Recommendations have been made to enable the Council to follow the proper accounting and governance practices ('proper practices') referred to in statute. For further information and for the year effective 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</p> |

Signed *V S Waples*

Date of Internal Audit Visit: 05.11.2018

Date of Internal Audit Report: 05.11.2018

On behalf of Suffolk Association of Local Councils