

## Internal Audit Report For the Year Ending 31st March 2019

Name of Council:	Woodbridge Town Council
Income to date:	£ 388,779
Expenditure to date:	£ 311,899
Precept figure:	£ 306,400
General Reserve:	£263,363
Earmarked Reserve:	£259,036



## **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 2018/19 of the Annual Governance and Accountability Return 2018/19 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
1. Proper book-keeping	Cash book updated regularly.	The council uses the Omega accounting package which produces reports on an Income and Expendditure 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.
	Correct arithmetic and balancing.	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.
		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.
2. Financial regulations, standing orders, payment controls	Evidence that standing orders and financial regulations have been adopted.	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 15 <sup>th</sup> May 2018.
		As per the recommendation from a previous 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.
	VAT is identified and reclaimed.	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. VAT claim for the period 1st April to 30th June 2018 in the net sum of £6,095.74 was submitted on 19th July 2018

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	VAT claim for the period 1 <sup>st</sup> July to 30 <sup>th</sup> September 2018 in the net sum of £2,909.91 was submitted on 8 <sup>th</sup> October 2018.
	Vat claim for the period 1 <sup>st</sup> October to 31 <sup>st</sup> December 2018 in the net sum of £4,223.76 was submitted on 17 <sup>th</sup> January 2019.
	VAT claim for the period 1 <sup>st</sup> January to 31 <sup>st</sup> March 2019 in the net sum of £5,316.82 was submitted on 11 <sup>th</sup> April 2019.
Supporting paperwork for payments, invoices, and appropriate authorisation	Spot checks on payments over £1000 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.
	The Council's Purchase Order file for items placed in accordance with Financial Regulation 10.1 was reviewed. Council follows good practice by ensuring that an official order is issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Council further shows good practise by understanding that official orders both commit a supplier to a price and help prevent unauthorised credit being granted in the authority's name. In accordance with proper practises, on receipt of invoices, verification that the relevant goods or services have been received should be obtained and invoices checked to ensure that the arithmetic is correct, agreed discounts have been deducted and everything is acceptable regarding reclaiming the VAT. The Purchase Order file is numerically held and controlled by the Town Clerk.
	A spot check of 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.
	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 being submitted for approval at each Town Council Meeting.

	General Power of	Council resolved at Annual General Meeting of 9 <sup>th</sup> May 2017 to use the General Power
	Competence.	of Competence, where appropriate.
		At a meeting of $3^{\rm rd}$ July 2018, held to discuss Grant Applications for 2018, a total of £11,745 was awarded in grant funding.
		Comment: 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 provides clear understanding that in such circumstances the Council will continue to be eligible until the next relevant annual meeting.
3. Budgetary controls	Verifying that the budget has been properly prepared, and agreed.	Recommendation from Finance and Staffing Committee of 7 <sup>th</sup> 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 12 <sup>th</sup> December 2017.
	Regular reporting of expenditure and variances from budget.	Detailed income and expenditure reports by budget heading (Cost Centre & Committee) detailing variances to/from budgeted expenditure for the 3 <sup>rd</sup> Quarter ending 31 <sup>st</sup> December 2018 were received and discussed at a Finance and Staffing Committee Meeting of 19 <sup>th</sup> February 2019 and presented to and approved at Full Council meeting of 12 <sup>th</sup> March 2019 in accordance with Council's own Standing Orders.
		Comment: Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year:  decide the form and level of detail of the budget;
		review the current year budget and spending;
		<ul><li>determine the cost of spending plans;</li><li>assess levels of income;</li></ul>
		bring together spending and income plans;
		<ul> <li>provide for contingencies and consider the need for reserves;</li> </ul>
		<ul><li>approve the budget;</li><li>confirm the precept or rates and special levies; and</li></ul>

		review progress against the budget regularly throughout the year.
		A review of the Council's General Reserves were discussed at the Finance and Staffing Committee of 16 <sup>th</sup> October 2018 with approval given for movement from the General Reserves into Earmarked Reserves. This was given further approved by the Town Council in its formal approval of the minutes at its meeting of 13 <sup>th</sup> November 2018.
		Comment: Council is aware that, in accordance with its own Financial Regulations, a virement from reserves into the revenue budget may only be made following a resolution of the council, or duly delegated committee.
4. Risk Management	Evidence that risks are being identified and managed.	The Risk Assessment and Financial Management Document for the period 1st April 2018 to 31st March 2019 was considered at a meeting of the Town Council on 12th March 2019 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning.
		The Council's Policy File, in accordance with best practice, provides details of the suite of policies adopted by the Council, the date the policy was last reviewed and the next review date/period thereby ensuring that each policy is regularly reviewed and fit for purpose.  The file shows that the following have been updated / adopted during the year under
		review: Complaints Procedure – May 2018; Freedom of Information Publication Scheme – May 2018; Training Strategy – May 2018; Information Protection Policy – June 2018
		Information Incident Policy – June 2018; Computer & Telephone Misuse Policy – June 2018; Data Protection Policy – May 2018; Privacy Policy – May 2018; Press and Media Policy – May 2018; Member / Officer Protocol – June 2018; Retention Policy – June 2018.
	Evidence that a Responsible Financial Officer has been appointed with specific duties.	The Council, in accordance with proper practices and with reference to section 151 of the Local Government Act 1972, confirmed in its Internal Control Statement, as adopted by full Council in June 2018 that the Clerk was the Responsible Financial Officer (RFO) responsible for the financial administration of the authority.

Evidence that internal controls are documented and reviewed.

With reference to the Accounts and Audit Regulations 2015, Council has understood the requirement to have in place safe and efficient arrangements to safeguard public money. Within the Internal Control Statement for the Financial Year 2018-2019, as reviewed and adopted by Full Council in June 2018, Council has reviewed its arrangements to protect public money.

Comment: The Council has considered specific control procedures for payments by bank transfer or other electronic means and has ensured that the risks brought about by the ease and speed of such transactions and the difficulties faced in unravelling them should there be errors are mitigated. Such control measures are identified within the Internal Control Statement which also includes a credit card policy statement which explains the responsibility of the user employees, the expenses that can be incurred using the credit card and the necessary supporting documentation and/or approval with respect to each expense incurred.

Evidence that a review of the effectiveness of internal audit has been carried out during the year In accordance with the Accounts and Audit Regulations 2015, Council formally reviewed the scope and effectivness of its internal audit arrangements and considered that its current arrangements were appropriate for the council. Such a review formed part of the Internal Control Statement for the Financial Year 2018-2019 as presented to and adopted by Full Council in June 2018. The Control Statement clearly documents that such a review will be undertaken on an Annual Basis.

Appropriate Insurance cover in place for employment, public liability and Fidelity Guarantee.

The Council's Insurance document was seen, and the following were verified:
Public liability cover is £15million
Products liability cover is £10million
Hirer's Liability cover is £2million

Employer's liability cover is £10million

Fidelity Guarantee cover is to be increased to £1million (increased from 500,000 as approved at Town Council meeting of 11.12.18)

Material Damage cover is in place for 12 premises as noted on the documents seen.

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		'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
5. Income controls	Monitoring of Precept.	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 12 <sup>th</sup> 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 9 <sup>th</sup> October 2018 under minute reference 251.
	Monitoring of any other Income.	A number of 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.
		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 with an underlying audit trail.
	Rental / Fee Charges	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 19 <sup>th</sup> June 2018 and were presented and approved by Town Council at its meeting of 10 <sup>th</sup> July 2018.
	Leases	Agreement was forthcoming at the meeting of Finance and Staffing Committee of 16 <sup>th</sup> October 2018 to renew the lease with Woodbridge Growers, due to terminate on

		December 2018, on the same terms as previously granted with the stipulation that annual rises would now be based on the CPI rate increases.
	Outstanding Debts	Comment: Council is aware 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.
	CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010.	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 12 <sup>th</sup> June 2018 and £6,255.11 as received in September 2018 reported under Minute reference 311e at the meeting of 13 <sup>th</sup> November 2018 of the Town Council.
		Comment: in accordance with the 2010 Regulations, the Town Council having received a proportion of CIL funds has ensured that retained balances are transferred into the Earmarked Reserve specifically allocated. Council has understood that it should ensure that it complies with its duty to produce an annual report that details the amount of CIL funds received and spent.
	Reserves General and Earmarked.	For the year ending 31 <sup>st</sup> March 2019 Council had General Reserves of £263,363 (includes Current Year Funds of £76,880) and Earmarked Reserves of £259,036.
		Comment: during the year 2018 /19 Council complied with Financial Regulation 4.2 and ensured that where expenditure was to exceed the amount provided in the revenue budget for that class of expenditure, a virement from reserves into the revenue budget would be made following a resolution of the council, or duly delegated committee.
6. Petty cash/expenses procedure	Established system in place with supporting documents	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.
		At the Finance and Staffing Committee Meeting of 18 <sup>th</sup> September 2018, members agreed that, at the next annual review of its Financial Regulations, Council would

7. Payroll controls	PAYE/ NIC system in place.	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. 'Moneysoft' payroll software used which ensures that the Council operates within the RTI system and submits full payment monthly submissions. Council had 5 employees on its payroll at the period end of 31st March 2019, 4 of which were members of the
		Local Government Pensions Scheme as operated by Suffolk County Council.  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.
8. Asset control	Inspection of Asset register.	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.  It is noted that the declared value for all assets at year-end (31.03.2019) was £10,886,366 (Insurance Value) and includes the following Freehold Land and Buildings: Shire Hall; Pavilion — Kingston Field; Toilets at Elmhurst Park & Theatre Street; Gardeners Shed & Public Shelter at Elmshurst Park; Tide Mill; Community Centre; Art Club; Community Heritage Building; Community Boat Shed; Community Open Space, Floodgates & Boundaries; Band Stand.  All other assets have been stated as at the Insurance Value and were assets have been gifted or where there is no known value have been given the proxy value of £1.  Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2018 on the valution of its assets and has ensured that where the insurance value of the asset at the time of first recording is used, that method of valuation has been consistently applied and if/where amended, it will need to publish and provide explanations in changes in value to any previously recorded assets.

	submitted to the Town Council at each Town Council Meeting.  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.
Confirm bank balances agree with bank statements.	Bank balances as at 31 <sup>st</sup> March 2019 agree with the year-end bank statements: £561,996.69 which are broken down as follows: Current Account: £7,631.77 Business Money Manager Account: £35,250.95 Building Society: £519,066.03 Petty Cash: £47.94
Investments	Council has noted the comment made in the previous internal audit report recommending that its Loan and Investment Policy be reviewed to ensure that it covers S15(1) of the Local Government Act 20136 and has regard to such guidance as may be issued by the DCLG.
Action plan following recommendations from previous internal audit visit	<ol> <li>Review of Loans &amp; Investment Policy – in process of being updated.</li> <li>Councillors to ensure the Seven Principles of Public Life are maintained and preserved at all times – whole Council training booked for 10 June 2019</li> <li>Consideration of whole Council training on Code of Conduct, Standing Orders and Member-Officer Protocol – whole Council training booked for 10 June 2019</li> </ol>
Review of Internal Audit Report for Qtr. 3	The Internal Auditor's Report for the period ending 31 <sup>st</sup> December 2018 was considered and accepted at the Finance and Staffing Committee Meeting of 19 <sup>th</sup> February 2019 and approved at the Town Council Meeting of 12 <sup>th</sup> March 2019.  Comment: in accordance with Proper Practices, the Responsible Financial Officer has produced an Internal Audit Action Plan for the Financial Year 2018/2019 which allows
	agree with bank statements.  Investments  Action plan following recommendations from previous internal audit visit  Review of Internal Audit

12. Reporting of External	Review of External Audit	remedial actions. This report is presented to Council following the receipt of the internal audit report and sets out the areas for improvement, proposed remedial actions, those responsible for delivering improvements and any appropriate deadlines.  The external auditor issued a certificate on 24 <sup>th</sup> September 2019 stating that the audit
Audit Report	Report	of the accounts for the period 31 <sup>st</sup> March 2018 cannot be completed as a result of challenge correspondence received. As such the Council has been unable to consider the final report which will be produced once the external auditors have finalised their review work of the AGAR and supporting documentation.
13. Year-end procedures	Appropriate accounting procedures used	Accounts are produced on an income and expenditure basis. All were found to be in order. There is an underlying financial trail from financial records to the accounts produced. Where appropriate debtors and creditors have been properly recorded.  Period-end balances agree with cash book and bank reconciliations: Total Debtors: £9,119 Total Creditors: £48,717 Current Bank Account: £7,632 Money Manager Account: £35,251 Building Society Account: £519,066 Petty Cash Balance: £48
	Has the appropriate end of year AGAR documents been completed?  Where an authority certified itself exempt in 2017/18,	Represented by: Reserve Account: £522,399  As Council is a smaller authority with gross income and expenditure exceeding £25,000 but not exceeding £6.5million it has completed Part 3 of the AGAR.  The smaller authority has completed the Section 1 Accounting Statements of the AGAR which is unsigned at the time of Internal Audit.  As the Council was a smaller authority with gross income and expenditure exceeding £25,000 during the year 2017/18, it was not able to certify itself as an exempt
	did it met the exemption criteria and correctly declared itself exempt?	authority.

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	Was there the opportunity provided for the exercise of electors' rights?	The Internal Auditor was able to confirm that the details of the arrangements for the exercise of public rights for the period ending 31 <sup>st</sup> March 2018 were on the public website used by the Council.
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015.	The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5 million and published the following on a public website:  Section 1 – Annual Governance Statement of the AGAR  Section 2 – Annual Accounting Statements of the AGAR  Section 3 – A Holding Certificate was issued by the External Auditor and was published by the Council in accordance with the Audit & Account Regulations 2015 as work on the AGAR had not yet been finalised.  The Annual Internal Audit Report
14. Transparency Code Requirements	Have the publication requirements been met in accordance with the Transparency Code (2015).	Council has only one outstanding element to ensure compliancy with the minimum datasets that should be published as per the requirements as set out in the Local Government Transparency Code (2015). For Woodbridge Town Council, these include the quarterly reporting of spending transactions valued over £500, the annual reporting of organisational charts, annual reporting of all grants made to voluntary, community and social enterprise organisations and the location of public land and assets. This Code applies to local authorities, including parish councils with annual income or expenditure (whichever is the higher) over £200,000.
		Recommendation: Council should review the matters contained in Part 2 of the 2015 Code, which are mandatory for all local councils exceeding the £200,000 threshold, and ensure that it publishes an organisational chart covering staff in the top three levels of the organisation.  (Note: this document was uploaded onto the website during the Internal Audit visit on 25th April 2019).
15. Additional comments	Annual Meeting.	The Annual Meeting of the Town Council was held on 15 <sup>th</sup> May 2018 with the first item on the agenda being the election of the town mayor in accordance with the Local Government Act of 1972 15(1).

	Confirmation of trustee responsibilities  Verifying that the council is registered with the ICO	The Council is trustee of Elmhurst Park and Kingston Field.  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.
16. Legal Matters	Legal cases that might affect	Z5069580 refers.  Council resolved at a meeting of 12.03.19 to instruct solicitors to undertake work on its behalf in the forthcoming court case relating to signage issues relating to costs incurred during 2017-2018 audit year.
17. General Data Protection Regulations (GDPR)	Verifying that the Council is compliant with GDPR requirements	Council is taking steps to ensure compliancy with the GDPR requirements and has produced an action plan and is monitoring matters to ensure the process is managed at all times - see section 4 above.
		Recommendation: Council should consider the completion of the following documents which will be needed to evidence compliance with legislation:  Personal Data Audit - to ascertain the data the council is processing, what it is used for, where it is located and who has access to it.  Data Protection Impact Assessment - which will provide a description of the processing and the purpose of the processing and identify any risks to the personal data, the rights and freedoms of individuals, and the measures and safeguards implemented to mitigate these risks.  Subject Access Request Policy & Subject Access Procedure Policy – both of which will provide the framework for dealing with requests from individuals who have the right
18. Other Matters		to know what data is held on them, why the data is being processed and whether it will be given to any third party.  The Internal Auditor offers her appreciation for the assistance given by the Town Clerk
10. Other Watters		and members of her staff in completing this audit.

Audit Carried out by Mrs V S Waples
On behalf of Suffolk Association of Local Councils

Signed VS Waples

Date of Internal Audit Visit: 25.04.19

**Date of Internal Audit Report: 25.04.19**