



Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Woodbridge Town Council
Income:	Annual budget: £367,334 YTD: £385,229 to 31-10-2019
Expenditure:	Annual budget: £365,284 YTD: £215,822 to 31-10-2019
Precept Figure:	£312,100
General Reserve:	£263,363
Earmarked Reserves:	£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 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 (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 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	Type of cash book or ledger used	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.
	Cash book kept up to date and regularly verified against bank statement	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. The reconciled period under review is up to and including month 7, October.
	Correct arithmetic and balancing	Spot checks were made and were found to be correct
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Standing Orders were reviewed and approved at the Extraordinary Meeting held 23 rd October 2019
	Evidence that Financial Regulations have been adopted and reviewed regularly	The Council approved the current Financial Regulations on 10-09-2019, following review by the Finance & Staffing Committee on 21-05-19.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	The Clerk is currently absent and a locum has been in post since the end of October, however, there was no minute as of 19 th November 2019 appointing the locum, or specifically as RFO, if that is included in the locum's remit. Recommendation: The Full Council is responsible for appointing Clerks, including Locums, and the RFO. This appointment should be clearly minuted at the earliest opportunity.
	Evidence that Financial Regulations (FR) have been tailored to the Council	FR5.3 has been amended to allow for payments ahead of delivery of service, by way of a pro-forma invoice, which allows the Council to obtain better value for the taxpayer by enabling

		it to work with a broader range of suppliers of services and support cashflow for local businesses.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A sample of recent transactions was reviewed, following the paper trail from purchase order through invoice, bank payment and cash book. All was found to be correct with a sound system in place.
	Internet Banking transactions properly recorded/approved	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. The process of tracking payments made via HSBC.net provides a very clear audit trail. The two-step payment authorisation system provides a proportionate segregation of duties.
	VAT correctly identified and reclaimed within time limits	Council's VAT Registration Number is 268 4119 85. A VAT reclaim was submitted on 15-07-2019 for Q1 of 2019/20 for the sum of £6,361.02 and 14-10-2019 for Q2 for the sum of £8,053.99, received 29-10-2019. The Council's Finance and Staffing Committee held 21-05-2019 approved obtaining a VAT audit from the Parkinson Partnership LLP (The national advisor for local councils) and they were engaged on 14-06-2019 and have provided written advice. Comment: The Council should now be aware of its position in respect of the partial exemption limit for VAT, as an essential part of the VAT audit.
	Has Council adopted the General Power of Competence and is it being correctly applied?	Minute 21 of the Annual Meeting held 14-05-2019 shows the Council resolving to adopt the GPoC.
	S137 separately recorded, minuted and within statutory limits	Not applicable
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	Not applicable
4. Risk Management	Evidence of risk assessment documentation.	The Risk Assessment and Financial Management Document was considered at a meeting of the Town Council held 12-03-

		<p>2019 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning. The Loans and Investment Policy was adopted 21-05-2019. There are two large folders of risk assessments, some of which appear overdue for review.</p> <p>Comment: The Clerk may wish to review the filing system to consider whether it could be more user-friendly.</p>
	Evidence that risks are being identified and managed.	<p>The Council approved the security arrangements for staff at the meeting held 10-10-2019.</p> <p>A number of policies were reviewed at the Council meeting held 10-09-2019; the implementation and adherence to these will contribute towards minimising a variety of reputational and financial risks to the Council.</p>
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	<p>The Finance Committee held 22-10-2019 reviewed the insurance proposals from Zurich Municipal and accepted the quotation. The Council's Insurance document was seen, insurances expiring 31-10-2020.</p> <p>Public liability cover is £15million Hirer's Liability cover is £2million Employer's liability cover is £10million Fidelity Guarantee cover is £1million Buildings insurances are in place for 12 premises as noted on the documents seen.</p>
	Evidence that insurance is adequate and has been reviewed on an annual basis	<p>The Council resolved at its Annual Meeting held 14-05-19 that its arrangements for insurance were adequate (minute 19). On 12-11-2019 the Full Council noted the minutes of the Finance Committee dated 22-10-2019, at which the insurances were renewed, but there is no minute specifically endorsing the actions of the Finance Committee.</p> <p>Comment: Whilst the process of acquiring adequate insurance can be delegated, the full Council body is responsible for ensuring that adequate insurance is in place, therefore a minute to that effect is expected.</p>
	Evidence that internal controls are documented and regularly reviewed	<p>The Council reviewed the internal controls at their meeting held 10-07-2019 (minute 315)</p>

	Evidence that a review of the effectiveness of internal audit has been carried out during the year	This was carried out on 12-03-2019 (minute 505)
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The 2019/20 budget was discussed by the Council's Finance Committee in draft form from 16-10-2018 and presented as draft 4 to Full Council on 11-12-2018. The final budget was approved by full council on 15-01-2019. The actual figures were not minuted. Work on the 2020-21 budget has been commenced by the Finance Committee on 17-09-19 and subsequently discussed at the 22-10 and 19-11-2019 meetings.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	Minute 391: A precept request of £312,100 was approved by Full Council on 15-01-2019.
	Regular reporting of expenditure and variances from budget	Monthly reports are received by the Council. At 31 st October 2019 (month 7, 58.34% of the financial year elapsed), the Council had spent 59.1% of planned annual expenditure and received 104.9% of budgeted income.
	General and Earmarked Reserves held	At 31 st March 2019 Council had General Reserves of £263,363 and Earmarked Reserves of £259,036.
6. Income controls	Is income properly recorded and promptly banked?	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.
	Is income reported to full Council?	Comprehensive financial reports go to each full council meeting, including budget variance and bank reconciliation.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The council submitted a precept demand upon East Suffolk Council on 17-01-2019 for £321,100. The first half-year tranche of £156,050 was paid into the Council's Ipswich Building Society on 29-04-19. The second half-year tranche of £156,050 was received 26-09-2019.

	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	Yes – a clear record is maintained ahead of submitting a report to ESDC. CIL Reserves as at 31-10-2019 were 2016/17 = £0 2017/18 = £0 2018/19 = £16,272.13 2019/20 = £42,794.60 Balance as at 31-10-2019 was £59,589.20
7. Petty Cash	Is a petty cash in operation? If so, is there an adequate control system in place.	Yes All petty cash payments are supported by receipts and are entered into the petty cash book. £115.26 was found in the petty cash, with £84.74 worth of receipts, reconciling to £200 = correct
8. Payroll controls	Do all employees have contracts of employment?	There are 7 employees on the payroll
	Are arrangements in place for authorising of the payroll and payments by the Council? Verifying the process for agreeing rates of pay to be applied.	'Moneysoft' payroll software used which ensures that the Council operates within the RTI system and submits full payment monthly submissions. The Chair of Staffing Committee is leading a process review to ensure that there is a formal process for advising the payroll operator of all adjustments.
	Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	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.
	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Yes
	Are other payments to employees reasonable and approved by the Council?	This is subject to a review of the approval process

9. Asset control	Verifying the Council maintains an Asset Register in accordance with proper practises	The Asset Register reflects those items listed under insurance and within the Town Council's remit for maintenance and ownership. Asset register valuation stands at £10,886,366. No new items as at 31-10-2019 were noted.
	Verifying that the Asset Register is reviewed annually	Reviewed 14-05-2019. Comment: When the new recycling bins arrive, it will be necessary to consider adding these to the register or ensuring the policy for designating assets is proportionate to the needs of the council.
	Cross checking of Insurance cover	The asset register and insurances match.
10. Bank reconciliation	Regularly completed and reconciled with cash book	Bank reconciliations are completed on a monthly basis and reconcile with the cash sheets. Overall there is regular reporting of bank balances within the financial reports submitted to the Town Council at each Town Council Meeting.
	Confirm bank balances agree with bank statements	Bank balances stated in the cash book as at 31 st October 2019 agree with the bank statements: Current Account 3658: £9,598.68 Money Manager 8725: £123,278.17 Ipswich Building Society: £585,757.55 as at 30-11-2019 Petty Cash: £115.26 as at 09-12-2019
	Regular reporting of bank balances at council meetings	The bank reconciliation is reported to each relevant full Council meeting. The original bank statements are signed by a councillor to indicate they have been seen, in accordance with best practice.
	Investments	The Investments and Loan policy was adopted 18-06-2019
11. Year-end procedures	Appropriate accounting procedures used	Yes - Accounts are produced on an income and expenditure basis.
	Financial trail from records to presented accounts	There is an underlying financial trail from financial records to the accounts produced.

	Has the appropriate end of year AGAR documents been completed?	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. It was approved by Full Council 11-06-2019 and submitted 20-06-2019. In accordance with good practice, the minutes show a clear process and order in which the statements were approved.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	Not applicable
	Was there the opportunity provided for the exercise of electors' rights?	The notice is displayed on the noticeboard and was found on the website
	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The Council publishes quarterly reports on expenditure over £500, this being up to September 30th at the time of the audit, on the website. The website shows an organisational chart.
12.Internal audit for the year ending 31 March 2020	Verifying that the previous internal audit reports have been considered by the Council	The Internal Auditor's Report for the quarter ending 30 June 2019 was considered by the Finance & Staffing Committee meeting held 23-07-2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit Recommendation: The Council should review Standing Orders annually to ensure they are relevant and up to date.	Completed - There were reviewed 23-10-19
	Recommendation: Where buildings are tenanted and the tenants are required to have their own insurances, that the Council require the tenants to provide evidence of satisfactory insurance cover to enable them to return a building to the condition required at termination of the lease (e.g. fixtures and fittings, equipment and furniture present at commencement of tenancy) Recommendation: The minutes needs to explicitly state the agreed overall budget expenditure and income, in order to demonstrate what budget has been approved.	Not seen For action in January 2020

	<p>Recommendation: For transparency and openness, minuting the implications for council tax is good practice. As a minimum, minuting the percentage change in the precept, the percentage and cash changes to Band D council tax not only gives context to the public as to what the decision means to them, but also demonstrates that the Council has considered the implications of their decisions as part of a sound and proper process.</p> <p>Recommendation: The process for agreeing general and specific rates of pay needs to be agreed by Council and consideration be given to setting up a separate, smaller, Personnel Committee to implement the process agreed.</p> <p>Recommendation: It is good practice that the RFO asks a member of Council to cross-check the bank statements with the reconciliation presented to the meeting, to confirm the balances reported tally with the actual statement, the Councillor then signing the statements to signify this has been done and that the reconciliation is an accurate report. This prevents fraud.</p> <p>Recommendation: The Council should consider a review of the billing process to satisfy itself that it is keeping such losses to the council at a structural minimum.</p> <p>Recommendation: The Council should seek advice from the Clerk as Proper Officer of the Council on lawful conduct of meetings.</p>	<p>For action in January 2020</p> <p>Completed - The Council separated the Finance and Staffing Committee to create a separate Staffing Committee at their meeting held 10-10-2019</p> <p>Completed - This is now being carried out</p> <p>The Finance and Staffing Committee resolved on 23-07-2019 to charge allotment rents in advance rather than arrears, which is eminently sensible.</p> <p>At the Extraordinary meeting held 23-10-2019 the review and approval of Terms Of Reference of committees was taken in closed session. This was followed by the appointment of Councillors and Chair of the Staffing Committee. Whilst there may have been HR matters that needed to be discussed in closed session, it is important that <u>only</u> confidential matters are taken in closed session.</p> <p>Recommendation: The exclusion of the press and public can only be justified for items that would be exempt from</p>
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		<p>disclosure. The agenda should be constructed to separate exempt/non exempt items and the minutes record when any exclusion of the press and public finished.</p> <p>It is welcomed that the item 'Chairman's Urgent Business' has been removed from the agenda, which reduces the risk of business not on the agenda being transacted.</p>
	Confirmation of appointment of Internal Auditor	SALC were appointed as internal auditors 11-06-2019 (minute 110)
13.External audit for the year ending 31 March 2018	Verifying that the external audit report has been considered by the Council	The external audit for 2017/18 has not been concluded. The external audit report for 2018/19 is not due to be received by the Council until September 2019.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	Not applicable – The Council is awaiting conclusion of the report.
14. Additional Comments	Annual meeting – held in accordance with legislation	The Annual Meeting of the Town Council was held on 14th May 2019 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). The subsequent election of Councillor Gillard to the role of Mayor at the meeting held 12-11-2019 was also the first item on the agenda
	Correct identification of trustee responsibilities	The Council is trustee of Elmhurst Park and Kingston Field.
	Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The website carries an organisation chart and details of staff 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.
	Verifying that the council is registered with the ICO	Registration No. Z5069580

Verifying that the Council is compliant with the General Data Protection Regulation requirements	At the Annual meeting held 14-05-2019 the Council reviewed a set of policies to facilitate compliance with the requirements of the GDPR: FoI Act Policy Data Protection Privacy Notice Subject Access Request Policy & procedure DPIA Assessment Checklist
Frequency of Internal Audits	Internal audit is not a replacement for good internal controls and proper governance by elected members cannot be fulfilled through delegation to a third party. Reliance on frequent audit can give a misplaced sense of good stewardship. Recommendation: The Council currently engages the Internal Auditor for 4x quarterly audits. The Council should review this frequency from time to time to satisfy itself that there is an ongoing cost/benefit argument for this level of scrutiny. Internal controls should be robust to ensure that risk to public funds/council reputation is designed out of processes.

Thank you to Karen and Greg for your assistance in completing this audit.

Signed.....

Date of Internal Audit Visit 9th December 2019

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On behalf of Suffolk Association of Local Councils