

Internal Audit Report

Year ending: 31st March 2020

Name of Council:	Woodbridge Town Council
Income:	Annual budget: £367,334 Actual: £398,161
Expenditure:	Annual budget £365,284 Actual: £397,947
Precept Figure:	£312,100
General Reserve:	£60,212
Earmarked Reserves:	£522,613

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 2019/20 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 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. Reports including bank reconciliation goes to council meetings.
	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 They were also temporarily amended at the Extraordinary Meeting held 23 rd March 2020 in response to Covid-19.
	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. They were also temporarily amended at the Extraordinary Meeting held 23 rd March 2020 in response to Covid-19.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	Minute 682 of the meeting of the Full Council held 14 th January 2020 appointed the locum Clerk, Mr G Mussett as RFO.
	Evidence that Financial Regulations 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 including arrangements for authorisation during the Covid-19 lockdown.
	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. The VAT reclaim for Q4 was submitted and refund received on 16/4/2020.
	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	Is there evidence of risk assessment documentation?	The Council maintains a comprehensive file of risk assessments and has a process for regular checking that material risks are being assessed and mitigated.
	Evidence that risks are being identified and managed.	The Council approved the security arrangements for staff at the meeting held 10-10-2019. 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. The Council reviewed its corporate risks and financial management on 11-02-20 (minute 757)

	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	The Council's Insurance document was seen, insurances expiring 31-10-2020. 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.
	Evidence that insurance is adequate and has been reviewed on an annual basis	The Finance Committee held 22-10-2019 reviewed the insurance proposals from Zurich Municipal and accepted the quotation. On 14-01-20 the Councillors noted to content of the insurance schedule.
	Evidence that internal controls are documented and regularly reviewed	The Council reviewed the internal controls at their meeting held 10-07-2019 (minute 315). In addition, In November 2019 the Internal Auditor carried out an investigation into potential failures of internal controls and submitted a confidential report, to be considered by the council, containing a number of recommendations. This appears to have been considered by the staffing committee on 17-12-2019. (minute 633)
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	This was carried out on 14-01-20 (minute 691)
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 – a recommendation was given at the last IA and has been fulfilled for 2020/21. The 2020/21 budget was discussed by the Finance Committee on 17-09-19 and subsequently discussed at the 22-10 and 19-11-2019 meetings. The Full Council approved the budget on 14 th January 2020 (minute 683). The minutes record the details of income and expenditure.
	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.
	Reserves held General and Earmarked Reserves Policy.	At 31st March 2020 Council had General Reserves of £60,212 and Earmarked Reserves of £462,401. Councillors should note that this is a significant reallocation of reserves. It is important that reserves held for a purpose are identified as such and the change appears to follow this expectation, as overstating general reserves can lead to a false sense of financial security. A robust earmarked reserves policy indicates forward planning and tends to mean that a council need hold general reserves at the lower end of the normal range (25-50% of expenditure). At this point, general reserves are less than 20% of forecast expenditure. Councillors should therefore regard this as very much at the lower limit of a prudent general reserves policy.
6. Income controls	Is income properly recorded and promptly banked?	A number of items of income were cross checked against cash book, bank statement and invoices. No inconsistencies were found.
	Is income reported to full Council?	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 and regularly reported to Council, ahead of submitting a report to ESDC. CIL Reserves as at 30-11-2020 were 2016/17 = £0 2017/18 = £0 2018/19 = £16,272.13 2019/20 = £42,794.60 Balance as at 30-11-2019 was £59,066.73

	<ul style="list-style-type: none"> • Is CIL income reported to Council? • Does unspent CIL income form part of Earmarked reserves? • Has an annual report been produced • Has it been published on the authority's website 	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Not at the point of audit</p>
7. Petty Cash	<p>Is a petty cash in operation?</p> <p>If so, is there an adequate control system in place.</p>	<p>yes</p> <p>The process has been described to the Internal Auditor as operating thus: All petty cash payments are supported by receipts and are entered into the petty cash book.</p> <p>It has not been possible to verify the petty cash as the audit is carried out remotely in accordance with the council's instructions</p>
8. Payroll controls	<p>Do all employees have contracts of employment?</p> <p>Are arrangements in place for authorising of the payroll and payments by the Council?</p> <p>Verifying the process for agreeing rates of pay to be applied.</p> <p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p>	<p>There are 8 employees on the payroll</p> <p>'Moneysoft' payroll software used which ensures that the Council operates within the RTI system and submits full payment monthly submissions.</p> <p>The Council has set up a staffing committee to review rates of pay</p> <p>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>

	Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?	Yes: Council had 8 employees on its payroll as at 31/03/20, 3 of which were members of the Local Government Pensions Scheme as operated by Suffolk County Council.
	Are other payments to employees reasonable and approved by the Council?	The Council has set up a staffing committee which reviewed pay on 17/12/19. The minutes of that meeting were 'considered and noted', en-bloc with minutes of other meetings, at Full Council on 14/01/20.
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. Not seen at time of audit; locum clerk revising to bring into line with good practice
	Verifying that the Asset Register is reviewed annually	The Asset register was reviewed 14/05/19. The Asset register is due for further review at the upcoming Annual Meeting 12/05/20
	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 31/03/2020 agree with the bank statements: Current Account 3658: £3,233.31 Money Manager 8725: £103,452.71 Ipswich Building Society: £454,227.55 Petty Cash: £191.83
	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. The Investments and Loan policy was adopted 18-06-2019

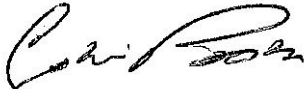
11. Year-end procedures	Appropriate accounting procedures used	Yes - Accounts are produced on an income and expenditure basis.
	Financial trail from records to presented accounts	There is an underlying financial trail from financial records to the accounts produced. Where appropriate debtors and creditors have been properly recorded.
	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 and Section 1 Accounting Statements of the AGAR. At the point of audit the AGAR had not yet been completed. Note there is no requirement for the IA to see the AGAR ahead of completing the audit.
	Where an authority certified itself exempt in 2019/20, did it met the exemption criteria and correctly declared itself exempt?	Not applicable
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations?	No – see external audit recommendations
	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 not exceeding £25,000 and published the following on a public website: Annual Internal Audit Report of the AGAR Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Section 3 – The External Auditor Report and Certificate 2018/19, page 6 Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.

12. Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The Internal Auditor's Report for the period ending 31st March 2019 was accepted at the Full Council meeting held 11-06-2019. The Clerk writes an action plan outlining action to be taken for each recommendation. The report of the Internal auditor dated 09-12-19 was considered by Council on 14-01-20 (minute 684 notes that action being taken by officers was reported)
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit 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) The minutes needs to explicitly state the agreed overall budget expenditure and income, in order to demonstrate what budget has been approved. 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.	Yes - These are now being obtained Yes - The setting of the budget for 2020/21, on 14 th January 2020, was minuted in full accordance with this expectation. Yes - The setting of the precept for 2020/21, on 14 th January 2020, was minuted in full accordance with this expectation.
	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 2019	Verifying that the external audit report has been considered by the Council	The external audit was completed in February 2020 and considered by the Council at its meeting on 10/03/20 (minutes 796-797)
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	Not applicable – The advice needs to be applied to the current year auditor process.
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 election of a new Mayor was also the first item on the agenda for the meeting held 12 th November 2019.
	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	<p>To ensure compliance with the requirements of the Local Government Transparency Code 2015 (turnover exceeding £200,000), council is aware that the following information should be</p> <p><u>Publish quarterly</u></p> <p>Individual items of expenditure that exceed £500 Government Procurement Card transactions Invitations to tender for contracts over £5,000 Details of contracts that exceed £5,000</p> <p><u>Publish annually</u></p> <p>Details of all land and building assets Grants to Voluntary, Community and Social Enterprise Organisations Details of number of employees whose remuneration is over £50K and job title</p> <p>The Council publishes quarterly reports on expenditure, this being up to September 30th 2019 at the time of the audit, so Q3 to December 31st 2019 and Q4 to March 31st 2020 were not found on the website</p> <p>Recommendation: Some form of process is required to assist in maintaining up to date compliance with the Code</p>
	Verifying that the council is registered with the ICO	Registration No. Z5069580 to 15/10/20

	<p>Verifying that the Council is compliant with the General Data Protection Regulation requirements</p> <p>Are the following in place:</p> <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	<p>At the Annual meeting held 14-05-2019 the Council reviewed a set of policies to facilitate compliance with requirements of the GDPR.</p> <p>Not seen</p> <p>Yes</p> <p>Yes</p> <p>This was adopted 10/09/19 and is under further review as part of the general review of policies being carried out by the locum clerk</p> <p>Yes</p>
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Thank you to the Locum Clerk, Deputy Clerk and Finance Assistant for their considerable assistance in completing this audit remotely, due to the restrictions in place under Covid-19 regulations.

Signed 

Date of Internal Audit Visit 4th 7 5th May 2020

Date of Internal Audit Report 5th May 2020

On behalf of Suffolk Association of Local Councils