

**INTERNAL AUDIT REPORT
NEWPORT TOWN COUNCIL
2014/2015**

The internal audit of Newport Town Council was carried out by undertaking the following tests as specified by the Audit Commission on Section 4 of the Annual Return for Local Councils in England and Wales:

- Checking that books of account have been properly kept throughout the year
- Checking a sample of payments to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Checking the accuracy of the asset and investments registers
- Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
- Year end testing on the accuracy and completeness of the financial statements

Conclusion

On the basis of the internal audit work carried out, which was limited to the tests indicated above, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, subject to the recommendations reported in the action plan overleaf.

As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan.

JDH Business Services Limited

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	The Fidelity insurance cover (Employee Dishonesty) of £500,000 does not cover the maximum cash balance of £559103 (balance at year end).	<i>The Council should consider increasing their insurance cover.</i>	
2	A review of timesheets for staff payroll in February 2015 found two timesheets which had not been approved by the Clerk/Councillor.	<i>All timesheets should be approved.</i>	
Follow up of 2014/15 second interim audit			
1	The financial regulations state that the chair should sign the schedule of payments when the Council approve it. A number of schedules during the year (June 2014- Nov 2014) have not been signed by the Chair.	<i>The Council should ensure that all schedules are signed retrospectively by the Chair.</i>	Outstanding
2	Our testing of a sample of payments found a small error: The cheque reference recorded within the ledger for the following payment had been recorded incorrectly as DDR. Readwell Press 12/11/14 £3400	<i>The correct cheque number should be recorded within the ledger to ensure there is a clear audit trail. We do note however that there only appeared to be one payment incorrectly recorded as DDR during the year and the audit trail generally is very good.</i>	To be followed up in 2015/16

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Follow up of 2014/15 first interim audit			
1	<p>The Council generally has a robust set of policies and procedures in place. They do not however have a Treasury Management Policy/ Investment Policy. As at the 31/3/14 the Council held cash and Bank balances in excess of £340,000.</p>	<p><i>Whilst the Council are not required to have a Treasury Management/ Investment policy, it would be good practice (given the level of balances held) to introduce one.</i></p>	<p>Response from Council: Noted – The level of balances is likely to reduce significantly in the near future due to some extensive work relating to the cemetery and as such it is important that the Council maintains the current liquidity of its finances. The matter will be reviewed once the cemetery expenditure is fully appreciated.</p>
2	<p>The Council do not currently have a Data Protection Policy.</p>	<p><i>A written data protection policy is not a requirement of the Data Protection Act, however drawing one up ensures a systematic approach to compliance. It also helps to inform staff and councillors about their own duties under the Act.</i></p> <p><i>A typical data protection policy should cover the following:</i></p> <ul style="list-style-type: none"> • <i>The general principles of the Act and the obligation of all staff and councillors to help ensure full compliance</i> • <i>Contact details of the person/s responsible for taking the lead on compliance and the</i> 	<p>Response from Council: Noted – The Clerk should look to provide a draft policy for the next Resource & Finance Committee Meeting</p>

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		<p><i>circumstances in which they should be contacted or consulted</i></p> <ul style="list-style-type: none"> • <i>Procedures for dealing with access requests. Usually it should only be necessary for staff or councilors to recognise an access request, before passing it on to whoever is responsible for compliance.</i> • <i>Staff responsibility for personal data</i> • <i>Information security procedures</i> 	
Follow up of 2013/14 audit recommendations			
1	<p>Guidance note for 2014/15 Following the repeal of section 150(5) of the Local Government Act 1972 in March 2014, Councils now are not required by law to have cheques or other orders for payment signed by two elected members.</p>	<p><i>If the Council decide they would like to make any changes to how payments are made it is important that they review the recent guidance issued by SLCC and ensure that any new internal controls meet these requirements.</i> <i>Any changes to internal controls over payments in light of the repeal will be reviewed in future audits.</i></p>	Noted
2	<p>Area of good practice The Council use the RBS ledger system and the standard of financial reporting is of a high standard.</p>		