

**INTERNAL AUDIT REPORT  
NEWPORT TOWN COUNCIL  
2015/2016**

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

- 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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	<b>ISSUE</b>	<b>RECOMMENDATION</b>	<b>FOLLOW UP</b>
1	The fidelity cover at £500k doesn't cover the maximum projected cash balance at 31/3/16 calculated at approximately £540k.	<i>The Council should consider increasing their insurance cover.</i>	
<b>2015/16 Interim audit recommendations</b>			
1	Currently salary payments are authorised as a total salary cost but are not authorised individually by Council.	<i>The payroll schedule provided by the payroll agents should be checked by Councillors to ensure that salary payments have the same level of approval as other payments.</i>	
2	<b>Area of good practice</b> We are pleased to note that testing of cemetery income found that the Council have a good audit trail from the burial register to burial documents.		
<b>2015/16 Interim audit recommendations</b>			
1	The financial regulations state that the Chair should sign the schedule of payments when the Council approve it. We found that the schedules approved at the September and October meeting had not been signed by the Chair.	<i>The Council should ensure that all schedules are signed retrospectively by the Chair. We will follow this up at the year-end audit.</i>	<b>Implemented</b>

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<b>Follow up of 2014/15 audit recommendations</b>			
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>	<b>Outstanding, balance at 31/10/15 is 570168.06</b>
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>	All timesheets reviewed in 15/16 had been approved.
<b>Follow up of 2014/15 second interim audit</b>			
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>	See issue in 15/16
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>	No issues in 2015/16

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<b>Follow up of 2014/15 first interim audit</b>			
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"> <li>• <i>The general principles of the Act and the obligation of all staff and councillors to help ensure full compliance</i></li> <li>• <i>Contact details of the person/s responsible for taking the lead on</i></li> </ul>	<p>Response from Council: Noted – The Clerk should look to provide a draft policy for the next Resource &amp; Finance Committee Meeting</p>

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		<p><i>compliance and the circumstances in which they should be contacted or consulted</i></p> <ul style="list-style-type: none"> <li>• <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></li> <li>• <i>Staff responsibility for personal data</i></li> <li>• <i>Information security procedures</i></li> </ul>	
<b>Follow up of 2013/14 audit recommendations</b>			
1	<p><b>Guidance note for 2014/15</b> 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></p> <p><i>Any changes to internal controls over payments in light of the repeal will be reviewed in future audits.</i></p>	<b>Noted</b>
2	<p><b>Area of good practice</b> The Council use the RBS ledger system and the standard of financial reporting is of a high standard.</p>		

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<b>Follow up of interim audit recommendations</b>			
1	We could not find evidence for two petty cash claims tested that VAT had been reclaimed (chq 707755 and chq 707621).	<i>VAT should be reclaimed from petty cash claims where appropriate.</i>	Implemented – VAT had been reclaimed from the petty cash claim tested in 15/16.
2	<b>Area of good practice</b> The Council have introduced the use of credit cards in 2013/14. We are pleased to note that there are strong internal controls in place that ensure that payments are approved by the Council and are supported by receipts. The financial regulations have also been updated to include the controls over credit cards.		