



Newport Town Council

Final Audit Report 2017/18

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Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales

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

- 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 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 Ltd

	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>The Fixed Asset register provided for audit had not been updated for the enhancement expenditure incurred on street lights brought into service before the year end.</p>	<p><i>The asset register was updated during the internal audit and the Annual Return corrected. The council should ensure the asset register is also updated during 2018/19 for the remainder of the enhanced LED street lights brought into service</i></p>	<p>Noted</p>
2	<p>The creditor for painting the chapel was not a valid creditor as no works had been carried out prior to the year end. As the amount was considered immaterial no adjustment was proposed to the accounts.</p> <p>The material creditor for street lighting was discussed as the creditor description did not clearly identify the reason for the inclusion in the accounts. The clerk informed us that as at the year end the creditor represented actual LED lanterns that had been ordered and held by EON but not yet fitted to streetlights.</p>	<p><i>Creditors should only include items where the goods or services have been received during the financial year.</i></p>	<p>Noted.</p>
<p>2017/18 second interim audit</p>			

	ISSUE	RECOMMENDATION	FOLLOW UP
1	The Finance and Resources committee has approved the transfer of £100,000 of cash reserves to the CCLA property fund in order to secure a higher rate of return.	<i>The council should assess the risk, security and liquidity of material investments before committing to an investment. If the level of expertise is not considered to be available in-house an external opinion should be obtained.</i>	Item not to be brought forward to the Town Council until appropriate advice obtained and levels of general reserve at end of FY 17/18 confirmed in early 2018/19.
2	There is no adopted email, social media and communications policy, although there are a set of Facebook rules.	<i>The council should adopt an email, social media and communications policy</i>	Town Council to consider in 2018/19
3	The January 2018 payroll was not signed as evidence of a member check	<i>The payroll should be reviewed every month by members and signed as evidence of this check</i>	Noted
4	Staff attendances at weddings are paid at a flat rate, with the rate depending on whether they also attend the ante room after the wedding. The flat rates of £50 and £70 were not agreed annually by council.	<i>The council should approve flat rate allowances annually</i>	Noted
5	VAT has been overclaimed on mileage claims as the fuel-only mileage rates have not been used to calculate the VAT element of claims.	<i>The next VAT return should be adjusted for overclaimed VAT. The fuel-only mileage rate should be used to calculate VAT in future</i>	Reclaimed VAT adjusted accordingly in final quarter return.

	ISSUE	RECOMMENDATION	FOLLOW UP
2017/18 First interim Audit			
1	The threshold for tendering in the Financial Regulations is £25,000. However, the tender threshold in the Standing Orders is set at £50000. Discussion with the clerk identified that the correct tender threshold is £25,00	<i>The tendering threshold in the Standing Orders should be reduced to £25,000</i>	Noted – Standing orders to be amended.
2	The expenditure limit set in the Financial Regulations for credit cards is £500. However, review of the credit card statements identified that the bank had increased the card limits to £7500 without consulting the council.	<i>The bank should be notified that no increases to credit card limits can be actioned without consulting the council</i>	Implemented on site by clerk during interim audit
3	Data Protection Law will change significantly on May 25 th 2018 due to the 2016 EU Directive General Data Protection Regulation (GDPR) taking effect. GDPR replaces the 1998 Data Protection Act and it will impose new obligations on Data Controllers and Data Processors and provides enhanced rights for individuals. Compliance with GDPR could have resource implications for local councils.	<i>The impact of GDPR on the council should be identified through review of ICO and NALC guidance and the Data Protection policy, risk assessment and internal controls should be updated accordingly</i>	GDPR added to risk management schedule. Project Plan instigated and monitored by R&F committee to ensure compliance (ongoing).
4	The payment of £7500 in April 2017 to Newport in Bloom is not supported by a signed confirmation of receipt	<i>A signed confirmation of receipt should be secured for all significant donations</i>	Noted

2016/17 final accounts audit			
1	The Council have a credit card that is used by two members of staff. No accrual has been made in the accounts for payments made using the credit card in March 2017.	<i>Whilst not significant amounts, in future, an accrual should be entered in the year end accounts for credit card purchases made during March each year.</i>	Implemented
2	The financial regulations require that an analysis of credit card payments is provided to Council. A summary is provided of direct debits but the detailed listing of credit card payments is not presented to Council and signed as approved.	<i>The schedule of direct debit and credit card payments should be approved by Council and signed by the Chair.</i>	Implemented
2016/17 Interim audit two audit recommendations			
1	A review of the minutes found that the Resources & Finance Committee minutes for 7/9/16 had been signed but not initialled on each page.	<i>Loose-leaf minutes should be initialed on each page. Please ensure these minutes are initialed retrospectively.</i>	Implemented
2	Testing of Weddings income found an error on invoice '61/16-17' where the date the deposit was paid was stated	<i>Invoices should state accurately the date the deposit was paid.</i>	Noted

	incorrectly as 13/4/16 when it was actually 6/9/16.		
2016/17 Interim audit one audit recommendations			
1	The Financial Regulations require that for contracts over £2,500, the clerk shall obtain three quotations before the contract is awarded. Our testing of payments found that for two such contracts only two contracts had been received.	<i>The fact that only two quotations had been received for a tender exercise should be reported in the minutes.</i>	Quotes were for specialist services and have resolved retrospectively to minute the fact
2	The May schedule of payments totalling £3595.71 has not been signed by the Chair to evidence approval of the individual payments.	<i>As the total of payment schedules is disclosed in the minutes, all supporting lists of payments should be signed by the Chair to evidence these have been reviewed and approved</i>	Noted
3	A partial exemption calculation is not carried out annually. Although the council appears to be below the £7500 threshold in the previous financial year it is good practice to monitor this through a partial exemption calculation	<i>The council should be aware of the VAT partial exemption rules relating to VAT exempt activity such as hall hire and rents to ensure any potential impacts are costed before any large capital schemes are undertaken, for instance, with regard to the Guildhall. VAT partial exemption rules are detailed in VAT notice 749</i>	Noted
4	The council does not currently have an adopted document retention policy. Such	<i>The council should establish a document retention policy. A copy of a retention</i>	Noted

	a policy would provide the council with a simple framework as to how long documents of different categories should be retained, when they should be disposed of and secure disposal requirements. Such a policy would also help the council save time and storage space by reducing the amount of information held unnecessarily.	<i>policy for a town council has been provided to the clerk with this report as a guide</i>	
2015/16 Audit			
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>	Implemented
2015/16 Interim audit recommendations			
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>	Implemented - Checked by Councillor as part of approval process
2	Area of good practice 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.		
2015/16 Interim audit recommendations			

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>	Implemented
Follow up of 2014/15 audit recommendations			
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>	Follow up at 16/17 year end
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.
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>	See issue in 15/16

2	<p>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</p>	<p><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></p>	<p>No issues in 2015/16</p>
<p>Follow up of 2014/15 first interim audit</p>			
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</i> 	<p>Response from Council: Noted – The Clerk should look to provide a draft policy for the next Resource & Finance Committee Meeting</p>

		<p><i>councillors to help ensure full compliance</i></p> <ul style="list-style-type: none"> • <i>Contact details of the person/s responsible for taking the lead on compliance and the circumstances in which they should be contacted or consulted</i> • <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>		
Follow up of interim audit recommendations			

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	<p>Area of good practice</p> <p>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.</p>		