

**INTERNAL AUDIT REPORT
NEWPORT TOWN COUNCIL
2016/17**

The internal audit of Newport Town Council is 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. We will follow up all recommendations included in the action plan in the next financial year.

JDH Business Services Limited

**INTERNAL AUDIT REPORT
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	ISSUE	RECOMMENDATION	FOLLOW UP
1	The Council have a credit card in use 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>	Noted
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>	Revised procedure to be introduced.
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 incorrectly as 13/4/16 when it was actually 6/9/16.	<i>Invoices should state accurately the date the deposit was paid.</i>	Noted

**INTERNAL AUDIT REPORT
NEWPORT TOWN COUNCIL
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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

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	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>	
Follow up of 2013/14 audit recommendations			
1	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.	<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. Any changes to internal controls over payments in light of the repeal will be reviewed in future audits.</i>	Noted
2	Area of good practice The Council use the RBS ledger system and the standard of financial reporting is of a high standard.		
Follow up of interim audit recommendations			

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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 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>		