



Neston Town Council

Internal Audit Report 2017/18

Interim Audit

PO10/123

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The internal audit of Neston 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

The interim internal audit provides evidence to support the annual internal audit conclusion on the Annual Return for local councils. The interim internal audit also covered the following area(s):

- Review of actual controls in place over internet banking compared to updated Financial Regulations
- Compliance with contract procurement procedures

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

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>The following schedules of payments approved by Council had not been initialled on every page:</p> <ul style="list-style-type: none"> - Resources Committee 25/7/17 - Full Council 16/5/17 	<p><i>Where a schedule of payments exceeds one page, all pages should be initialled by the Chairmen of the meeting.</i></p>	<p>The authorising committee Chairs are now being asked to initial every page.</p>
2	<p>Data Protection Law will change significantly on May 25th 2018 due to the 2016 EU Directive General Data Protection Regulation (GDPR) taking effect.</p> <p>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.</p>	<p><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></p>	<p>Further updates, templates and advice is expected via NALC and the SLCC. The Council will be in a position to appoint their DPO at the 01.05.18 Policy meeting. So far staff and Councilor's have received briefings and webinar training sessions.</p>
3	<p>As part of their budget setting process, the Council are considering setting the General Reserve at 16.2% as they consider that this would be adequate for</p>	<p><i>The Council should review the General Reserves policy</i></p>	<p>At its meeting on 23 January 2018, the Council agreed to amend its General Reserve Policy and agreed that a working capital of 16.5%</p>

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>cash flow purposes for the first quarter of the year.</p> <p>It should be noted that the General Reserves are also maintained for unforeseen expenditure and sector guidance recommends between 3 and 12 months expenditure is retained to adequately cover all potential risks and unforeseen circumstances.</p> <p>The Council have previously stated that the General Reserve should be set at a minimum of 25% of gross expenditure.</p>		<p>would be applied in future calculations.</p>