

**INTERNAL AUDIT REPORT
NESTON TOWN COUNCIL
2021/2022
Action Plan**

The internal audit of Neston 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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| 1 | <p>The Council have previously adopted a reserves policy of 25% of budgeted expenditure but this hasn't been revisited for a number of years.</p> <p>Whilst the JPAG recommends a 3-month net revenue expenditure reserve for a Council of Neston's size, it does also state <i>'it is important that each authority adopt, as a general reserve policy, the level appropriate to their size, situation, risks and plan their budget so as to ensure that the adopted level is maintained.'</i></p> <p><i>Authorities with significant self-generated income (other than the precept or levy) should take into account situations that may lead to a loss in revenue as well as increased costs and adapt their general reserve accordingly.'</i></p> <p>There is some instability in relation to income streams, particularly in the wake of COVID so it is acceptable to set the general reserve based on budgeted expenditure as Neston have done.</p> <p>The general reserve as at 31/3/22 represents 57% of actual expenditure in 2021/22.</p> | <p><i>The Council should review the reserves of the Council annually and should revisit the reserves policy to ensure that it remains appropriate to their size and the risks that the Council faces.</i></p> | <p>The general reserve policy will be reviewed using JPAG (Joint Panel on Accountability & Governance) and reported to the F & A committee meeting 01.11.2022.</p> |
| 2 | <p>The fidelity cover of £500k does not cover the maximum projected cash balance as at 31/3/22 of approximately £531k (this is calculated as the year end bank balances plus the first precept instalment).</p> | <p><i>The Council should review the adequacy of their fidelity cover.</i></p> | <p>Fidelity insurance to be increased in preparation of the 23/24 financial year and reported to the F&A committee.</p> |

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| 2021/22 Interim internal audit recommendations | | | |
| 1 | <p>The Governance and Operations Manager was refunded during 2021/22 for the purchase of benches at a cost of £2268.00, these had been purchased with a personal credit card.</p> <p>The Financial Regulations state: '6.20 ... <i>Personal debit or credit cards of members of staff shall not be used under any circumstances.</i>'</p> | <i>Personal debit or credit cards should not be used to make purchases for the Council.</i> | 12.07.22 RESOLVED to provide an Equals payment card for use by the G&O Manager for purchases approved directly by a committee or for expenditure delegated by committee to the G&O Manager. |
| 2 | A review of significant grants found that while grant acceptance forms were provided with bank details, letters of receipt (or alternative) were not provided evidencing receipt of grant. | <i>Letters of receipt should be requested for all significant donations.</i> | Procedure in place NTC grant receivers are now required to send an email/letter confirming receipt of grant funds. Noted at C&E 01.03.22 |
| 3 | The council have a contract in place with an IT provider for which the total annual cost is in excess of the £3000 level in the financial regulations for obtaining three quotes. | <i>Contracts must be awarded as per the financial regulations of the Council. In instances where an exception is to be relied on or financial regulations are to be suspended, this should be clearly stated in the minutes.</i> | <i>Full Council 28.06.22</i> Resolved that Financial Regulation 11.1(d) relating to contracts, be waived in relation to the IT/website support services to enable a price to be negotiated with the current contractor. The reason for this recommendation is for the continuity and security of a vital service for the functioning of Town Council. |