

**INTERNAL AUDIT REPORT
NESTON TOWN COUNCIL
2022/2023**

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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ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
1	<p>We have previously reported that the risk assessment does not address the risks of supplier (procurement) fraud.</p> <p>The Council are due to review their annual risk assessment before the year-end and should ensure that they cover controls that should be in place to prevent supplier fraud as this is a growing area of risk.</p> <p>The Council should also review the adequacy of their fidelity cover as part of the annual risk assessment.</p>	<p><i>The risk assessment should be updated to include supplier (procurement) fraud before the year-end.</i></p> <p><i>The adequacy of the fidelity cover should be reviewed during the risk assessment process.</i></p>	<p>The risk assessment will be updated with supplier fraud & taken to the next committee before year end</p> <p>The fidelity cover will be reviewed during the risk assessment process</p>
Follow up of 2021/22 internal audit recommendations			
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</i></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>	Implemented

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	<p><i>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>		
2	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 a the year end bank balances plus the first precept instalment).	<i>The Council should review the adequacy of their fidelity cover.</i>	To follow up at year-end
2021/22 Interim internal audit recommendations			
1	The Governance and Operations Manager was refunded during 2021/22 for the	<i>Personal debit or credit cards should not be used to make purchases for the Council.</i>	No incidences in sample tested

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	<p>purchase of benches at a cost of £2268.00, these had been purchased with a personal credit card.</p> <p>The Financial Regulations state : <i>'6.20 ... Personal debit or credit cards of members of staff shall not be used under any circumstances.'</i></p>		
2	<p>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.</p>	<p><i>Letters of receipt should be requested for all significant donations.</i></p>	Implemented
3	<p>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.</p>	<p><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></p>	Implemented