INTERNAL AUDIT REPORT 2020/21
APPLETON PARISH COUNCIL

The internal audit of Appleton Parish Council is carried out by undertaking the following tests as specified in 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

The interim internal audit provide evidence to support the annual internal audit conclusion on the AGAR Annual Return for local councils.

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

	ISSUE	RECOMMENDATION	FOLLOW UP
1	The risk assessment does not address the risks of supplier (procurement) fraud.	*The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.*	Risk Assessment updated and adopted by Parish Council on 18th May 2021.
2020/21 Interim Internal Audit			
1	The Financial Regulations 4.4 state that: *' The salary budgets are to be reviewed at least annually in October for the following financial year and such review shall be evidenced by a hard copy schedule signed by the Clerk and the Chairman of Council or relevant committee. The RFO will inform committees of any changes impacting on their budget requirement for the coming year in good time.'* The Financial Regulations section 3.1 require that *'The Finance Committee shall review its three-year forecast of revenue and capital receipts and payments…….'* However, there is no three year forecast in place at the council.	*The council should review Financial Regulations and ensure all regulations are complied with.*	The Parish Council reviewed the Financial Regulations as per the minutes of the Finance and General Purposes Committee on 3rd December and this was confirmed at Parish Council meeting dated 15th December 2020. Salary review was undertaken at Parish Council meeting 17th November 2020. Three year forecast of revenue and capital receipts and payments – reviewed at the Finance and General Purposes Committee on Finance and General Purposes Committee on 3rd December and adopted by the Parish Council on 15th December 2020. New sheet on cashbook spreadsheet for this to be monitored and reviewed

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	ISSUE	RECOMMENDATION	FOLLOW UP
2	There is no cybersecurity policy in place. In addition, training for employees and members including recognition of spam emails and unsafe links and attachments, and general cybersecurity awareness, has not been provided to date.	*Cybersecurity policies and training regarding cybersecurity awareness are key measures to help prevent cybersecurity attacks and should be implemented at the council*	Cybersecurity policy now adopted by the Parish Council as per minutes of Parish Council meeting dated 15th December 2020. Staff training done on cybersecurity in November 2020.
2019/20 year end internal audit			
1	The accounting spreadsheet contains a section for analysis of reserves. This indicates that £169k of reserves of earmarked leaving a contingency general reserve of £10k which is approximately 6.7% of the precept. Sector guidance is that general reserves should be between 25% and 100% of the precept.	*The council should review the level of reserves as the currently stated level of general reserves is substantially below the minimum levels recommended in sector guidance.*	**Implemented**
2	The risk assessment does not cover financial and corporate risks.	*The risk assessment should be expanded to cover financial and corporate risks*	**Implemented**
3	In March 2020 the £500 limit per the Financial Regulations for the debit card was exceeded.	*Expenditure on the debit card should remain within the limits authorised by the Financial Regulations*	**Implemented**

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	ISSUE	RECOMMENDATION	FOLLOW UP
2019/20 interim internal audit			
1	The Financial Regulations include an authority to spend for the clerk of up to £500, but the same Regulations also authorise the clerk to spend up to £1000 on the debit card.	*The Financial Regulations need to be reviewed for consistency*	**Implemented**
2	The Financial Regulations require that 'a programme of regular checks of standing data with suppliers will be followed'. In order to carry out this check the details of supplier bank account numbers paid should be available. We note that this information is available in the form of a payments status report but these were not on file for all payments made. We could not identify evidence that a programme of regular checks of standing data had been carried out by councillors eg bank account data with invoices paid.	*A programme of regular checks of standing data should be carried out by councillors and this check should be evidenced by a dated signature.* *Payments status reports covering all payments for the financial year should be included in the payments files.*	**Implemented**
2018/19 Year end internal audit			
1	The AGAR annual return is incorrect as follows:	The AGAR annual return should be amended as noted	**Implemented**

	ISSUE	RECOMMENDATION	FOLLOW UP
	Box 6 (Other Payments) is stated as £1,187,757 This should be corrected to £118,757. Box 7 (Balances c/f) is stated as £1,614,147 This should be corrected to £164,147.		
2	Review of the cash book identified the following issues: - There is no VAT column to record VAT against each relevant transaction, This is an important control to ensure VAT records agree to the cash book and VAT is completely and accurately reclaimed - There are no extended cash book headings that classify expenditure and income into different categories (for instance to match the budget headings) - No cash book column for s137 payments - There was a mis-allocation of staff costs to other expenditure in December 2018, although this	The format of the cash book should be improved as noted	**Implemented**

	ISSUE	RECOMMENDATION	FOLLOW UP
	was resolved when compiling the year end accounts		
3	The clerk noted that quotations are deleted after a tender or quotation exercise has been completed, to comply with the GDPR. This action is not appropriate as quotations have to be retained as evidence for audit that the council undertook procurement in accordance with their Financial Regulations and Standing Orders. The GDPR principles requires personal information to be retained no longer than is necessary, and it is necessary under the Limitation Act 1980 to keep these documents for 6 years.	*The practice of deleting or shredding quotations/tenders without reference to legislation and audit requirements should cease.* *A time limit should be set in the council retention policy for the retention of quotations/tenders and the council should use the NALC LTN40 as a reference. LTN40 sets 6 years as the retention period for quotations/tenders in accordance with the legislation governing this, the Limitation Act 1980 (as amended).*	**Implemented**
4	The AGAR Annual Return internal audit certificate had been completed by the council. This is not appropriate – this certificate has to be completed by the independent internal auditor.	*The internal audit certificate should not be provided to the internal auditor pre-completed in future*	**Noted**
5	The earmarked reserves disclosure in the explanation of variances for the external auditor casts to significantly more than the entire reserves of the council.	*The council should review the explanation of variances note for the external auditor and ensure earmarked (and general) reserves are accurately stated*	**Implemented**
6	We were unable to agree the pricing for income invoice 4905 for £112 . The hire	*Council should review whether the pricing of this invoice is accurate (eg*	**Implemented**

	ISSUE	RECOMMENDATION	FOLLOW UP
	is for the large hall for four 2 hour sessions which should normally cost £36.*4= £144	*there may be a discount/concession applied). All other invoice pricing for hall hire was satisfactory.*	

IMPORTANT GUIDANCE NOTE

INTERNAL AUDIT CERTIFICATE in the AGAR

There is a new internal control objective (Objective L) in the 2018/19 internal audit certificate that requires internal audit to conclude on whether the Public Rights Notice during the **previous Summer** was compliant with the Regulations. This is pre-filled for 2018/19 but in order to test this and conclude YES or NO for the 2019/20 internal audit we would need to receive with the 2019/20 books and records:

- A copy of the completed 2018/19 Notice of Public Rights and Publication of the Unaudited Annual Governance and Accountability Review

- A dated photograph showing the first day of the Notice of Public Rights on the noticeboard and/or a dated computer screenshot showing the first date of the Notice of Public Rights on the website for 2018/19

Our approach to this new requirement will be to conclude NO if we have not received the above evidence and explain on the AGAR that we received insufficient evidence to be able to conclude YES; we would also conclude NO if the dates advertised were not compliant with the Regulations.

This will be a new ongoing requirement for internal audit, as well as verifying whether certain smaller councils meet the exemption criteria from an external audit. Therefore, for the 2019/20 internal audits there will be additional time charged at a fixed fee of £9 + VAT per local council to complete the new requirements.