INTERNAL AUDIT REPORT 2024/25
APPLETON PARISH COUNCIL

The internal audit of Appleton Parish Council is carried out by undertaking the following tests as specified in the AGAR 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)
- Review of year-end financial statements
- The authority has complied with the publication requirements for the prior year AGAR.
- The authority correctly provided for a period for the exercise of public rights for the prior year AGAR
- The authority published required information on a website up to date at the time of the internal audit in accordance with relevant legislation.

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

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
2024/25 Year End Internal Audit			
No further issues arising – a robust set of year end records have been maintained with a comprehensive audit trail to supporting information.			
2024/25 Interim Internal Audit			
1	Review of the expenditure sample item selected for 2024/25 that related to insurance identified that VAT of £221.28 is recorded in the cashbook for reclaimable VAT. However, there is no VAT on this supply and the amount of £221.28 relates to Insurance Premium Tax. Therefore, the council need to carry out an exercise to calculate any VAT overclaims relating to insurance	*The council need to identify any overclaims of VAT relating to insurance for the statutory HMRC time period and adjust the next VAT return for any overclaims of VAT.*	**NB Clerk has confirmed the VAT return has been adjusted for this item.**

	ISSUE	RECOMMENDATION	FOLLOW UP
	premium IPT for 2024/25 and prior years and adjust the next VAT reclaim.		
2	There are a significant number of purchases of goods relating to the Environmental Working Group budget from the DIY supplier B&Q. A review of the receipt from one of our expenditure sample items relating to B&Q purchases showed that the receipt was not a VAT receipt that detailed the VAT number and the VAT relating to each of the individual supplies. Therefore, correctly, the council has not recorded and reclaims any VAT relating to these in the cashbook in 2024/25. However, the majority of these supplies are likely to be standard rated for VAT and the council is losing reclaimable VAT by not requesting VAT receipts each time a purchase is made from B&Q.	*The council must request and retain a valid VAT receipt each time a purchase is made from B&Q so that the itemised VAT on the invoice can be included in the cashbook VAT column and reclaimed.*	**Implemented**
2023/24 Year End Internal Audit			
No further issues arising – a robust set of year end records have been maintained with a comprehensive audit trail to supporting information.			

INTERNAL AUDIT REPORT 2024/25
APPLETON PARISH COUNCIL

	ISSUE	RECOMMENDATION	FOLLOW UP
2023/24 Interim Internal Audit			
1	Policy Review issues: - Although staff expenses are covered in individual contracts of employment there is no overarching expenses policy for the council covering staff and councillors. - Although a basic credit control procedure is approved in minutes there is no detailed incomes and debtor collection policy also covering procedures for bad and doubtful debts.	*The council should consider establishing:* - *an expenses policy covering all staff and councillors* - *an incomes and debtor collection policy also covering bad and doubtful debt procedures.*	**Implemented**
2022/23 Year End Internal Audit			
1	2022/23 was the second financial year in succession the council has exceeded the £200,000 threshold for submitting income and expenditure accounts.	*If the £200,000 accounts threshold is exceeded in 2023/24 the council will have to submit income and expenditure accounts and restate the 2022/23 comparatives in the 2023/24 AGAR on the same income and expenditure basis.*	**2023/24 Year End follow up - Implemented** **2023/24 interim internal audit follow up - This is a work in progress as the draft restatement we have reviewed is incorrect and no extended trial balance has been produced with a balanced VAT control account.**

	ISSUE	**RECOMMENDATION**	**FOLLOW UP**
2	As the substantial earmarked schemes have not yet been delivered, which would reduce reserve levels, the council should re-appraise the level of fidelity cover as it does not currently cover maximum projected cash and bank balances. The fidelity cover is currently £250,000, however, fidelity insurance should aim to cover the maximum projected cash and bank balances which is estimated as the year end cash and bank balances of £283,534 plus the next precept instalment of £173,799, which is an estimated maximum projected balances of £457,333.	*As part of risk assessment procedures, the council should annually estimate maximum projected cash and bank balances, taking account of earmarked schemes being delivered, and set the level of fidelity insurance accordingly.*	**Implemented**
3	A negative earmarked reserve is recorded in the list of reserves as follows: Queens Jubilee Lottery Grant - £35.17	*The council cannot hold negative earmarked reserves and this amount should be set off against general reserves in the accounts to provide a net general reserve figure.*	**N/A for 2023/24 onwards as the scheme is now complete.**
2022/23 interim internal audit			
1	The payment on 07/04/2022 to Amazon for £68.59, for the purchase of a time capsule, is recorded gross in the	*The council should ensure transactions that include a VAT element are recorded net of VAT in the cashbook*	**Implemented**

	ISSUE	RECOMMENDATION	FOLLOW UP
	cashbook with nil VAT. However, the invoice records VAT of £11.44, therefore, the net payment is £57.15	*and that VAT is separately recorded and reclaimed.*	
2021/22 year end internal audit			
1	The fixed asset register does not always record how an asset is valued when it is included in the register (eg cost, current value, insurance proxy value).	*The method of valuation should be recorded against all assets in the asset register.*	**Implemented**
2021/22 interim internal audit			
1	The lottery grant of £1,500 was awarded on the condition that it is spent on specific project. If the grant money is not spent in full, prior to the year end, then the remainder of the grant would be an earmarked reserve.	*The council should allocate any of the unspent lottery grant at the year end as an earmarked reserve*	**Implemented - Earmarked reserves have been established by the Council.**
2020/21 Year End Internal Audit			
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.*	**Implemented**

	ISSUE	RECOMMENDATION	FOLLOW UP
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.*	**Implemented**
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*	**Implemented**