

INTERNAL AUDIT REPORT 2025/26 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.
- Review of Assertion 10 (Annual Governance Statement) requirements.

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

**INTERNAL AUDIT REPORT 2025/26
APPLETON PARISH COUNCIL**

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
2025/26 Internal Audit			
1	Bank reconciliation procedures: - Statements/passbook copies were not available to support the entries in the year end bank reconciliation for the following balances: Skipton Building Society £85,000 Hanley Building Society £4,975 - The February 17th, 2026 Finance Committee minutes note that the quarterly bank reconciliation checks were carried out for the quarter ended September 30th but not for the quarter ended 31st December 2025. Financial Regulations (FRs) require the following:	<i>The council must secure the updated passbooks to evidence the balances for these two building society accounts.</i> <i>The quarterly bank reconciliation review should be completed as required by FRs throughout the financial year.</i>	

INTERNAL AUDIT REPORT 2025/26
APPLETON PARISH COUNCIL

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	<i>2.6. At least once in each quarter, and at each financial year end, a member other than the Chair shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign and date the reconciliations and the bank statements as evidence of this. This activity, including any exceptions, shall be reported to and noted by the council.</i>		
2	At the time of the internal audit review, there were no full council minutes published on the minutes tab for the council website for June, July, August, September and October 2025, including extraordinary meetings. The full council meeting of April 2nd 2026 also reviewed this issue of publishing meeting minutes under item 5.	<i>The minute record for the financial year must be brought up to date with approved minutes of all meetings published on the meetings tab of the council website.</i>	
3	A B&Q purchase dated 06/10/2025 for £264.28 included £44.05 VAT. However, the cashbook does not analyse the VAT on this item and therefore it is not part of the VAT analysis for reclaim.	<i>The council need to review all B&Q and similar material purchases for the year and ensure all reclaimable VAT is included in the VAT analysis and reclaimed.</i>	

INTERNAL AUDIT REPORT 2025/26
APPLETON PARISH COUNCIL

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4	The following information is not published on the council website as required by the Local Authority Transparency Code 2015: - publishing of monthly payments on the council website under the 'Finances' tab ceased after July 2025. The Local Authority Transparency Code 2015 requires at least all payments in excess of £500 to be published.	<i>The council should ensure the website is maintained up to date and that it complies fully with the publication requirements of the Local Authority Transparency Code 2015.</i>	
5	Accessibility The Council website states it is partially conformant with WCAG 2.1 level AA and was last reviewed in 2020. The Practitioners Guide states: 'All websites must meet the Web Content Accessibility Guidelines 2.2 AA and the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 (where applicable).' Accessibility Regulations were incremented to WCAG 2.2 AA in October 2024.	<i>The council needs to ensure the Accessibility Statement is updated and that the website is compliant with the Web Content Accessibility Guidelines 2.2 AA.</i>	

**INTERNAL AUDIT REPORT 2025/26
APPLETON PARISH COUNCIL**

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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 premium IPT for 2024/25 and prior years and adjust the next VAT reclaim.	<i>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.</i>	NB Clerk has confirmed the VAT return has been adjusted for this item.
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	<i>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.</i>	2025/26 year end follow up – see issue regarding B&Q VAT not included in cashbook VAT analysis.

**INTERNAL AUDIT REPORT 2025/26
APPLETON PARISH COUNCIL**

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	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.		2024/25 year end follow up - 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.			
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	<i>The council should consider establishing:</i> - <i>an expenses policy covering all staff and councillors</i>	Implemented

INTERNAL AUDIT REPORT 2025/26
APPLETON PARISH COUNCIL

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	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.	- <i>an incomes and debtor collection policy also covering bad and doubtful debt procedures.</i>	
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.	<i>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.</i>	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.
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.	<i>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.</i>	Implemented

INTERNAL AUDIT REPORT 2025/26
APPLETON PARISH COUNCIL

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	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.		
3	A negative earmarked reserve is recorded in the list of reserves as follows: Queens Jubilee Lottery Grant - £35.17	<i>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.</i>	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 cashbook with nil VAT. However, the invoice records VAT of £11.44, therefore, the net payment is £57.15	<i>The council should ensure transactions that include a VAT element are recorded net of VAT in the cashbook and that VAT is separately recorded and reclaimed.</i>	Implemented
2021/22 year end internal audit			

**INTERNAL AUDIT REPORT 2025/26
APPLETON PARISH COUNCIL**

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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).	<i>The method of valuation should be recorded against all assets in the asset register.</i>	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.	<i>The council should allocate any of the unspent lottery grant at the year end as an earmarked reserve</i>	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.	<i>The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.</i>	Implemented
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	<i>The council should review Financial Regulations and ensure all regulations are complied with.</i>	Implemented

INTERNAL AUDIT REPORT 2025/26
APPLETON PARISH COUNCIL

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	<i>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.'</i> The Financial Regulations section 3.1 require that <i>'The Finance Committee shall review its three-year forecast of revenue and capital receipts and payments.....'</i> However, there is no three year forecast in place at the council.		
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.	<i>Cybersecurity policies and training regarding cybersecurity awareness are key measures to help prevent cybersecurity attacks and should be implemented at the council</i>	Implemented