INTERNAL AUDIT REPORT
STOCKTON HEATH PARISH COUNCIL 2022/23

The internal audit of Stockton Heath Parish Council was carried out by undertaking the following tests 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)
- 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

	ISSUE	**RECOMMENDATION**	**FOLLOW UP**
1	The fixed asset register total is £81527, however, £81695 is disclosed as total fixed assets in the AGAR accounts.	*The council need to review the fixed asset register and ensure the correct value is disclosed in the AGARA accounts for fixed assets.*	Error in copying the figure from the fixed asset register to the AGAR. Now rectified.
2	The payments analysis in the cashbook spreadsheet shows a total of £159954.65, however, £159934.44 is disclosed as the total payments in the bank reconciliation. In the AGAR annual return the total payments disclosed are £159934.	*The council need to review the cashbook, the bank reconciliation and the year end AGAR accounts and ensure they are balanced with a consistent disclosure of total payments.*	A review of the payments analysis was done which was incorrect. This has now been rectified and agrees at £159934.44
3	There is no current adopted Investment Strategy and Treasury Management strategy although there are £100000 of investments held. Guidance on Local Government Investments is issued under section 15(1)(a) of the Local Government Act 2003. The guidance applies to all local authorities in England and applies to Town & Parish Councils providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where total investments are expected to be between £10,000 and £100,000 Councils are	*The council should consider establishing an Investment Strategy and Treasury Management strategy with reference to the requirements of the Local Government Act 2003.*	The clerk will draft an Investment Strategy and Treasury Management Policy for approval by the Parish Council.

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	encouraged to adopt the key principles in this guidance.		
4	There is no current expenses policy in place covering officers and members.	*The council should consider adopting an expenses policy that coves both officers and members.*	Staff expenses policy is in the staff handbook but the clerk will draft an Expenses Policy to cover staff and Councillors' expenses.
2021/22 internal audit			
1	The 2020/21 AGAR comparatives do not cast correctly as the adjustment requested by external audit has not been applied correctly. The 2020/21 AGAR comparatives currently cast to £94137 and not the £95050 currently disclosed.	*The adjustment requested by external audit for 2020/21 should be processed correctly and the word 'RESTATED' needs to be written by each of the boxes that are restated compared to the original 2020/21 AGAR.*	Noted
2	The level for obtaining 3 quotations is £5K in the Financial Regulations (FRs) and there was one purchase above this level during the year for bins. Three quotes were not obtained as the new bins needed to match the bins already installed by the same provider. The council noted that the purchase was exempt from normal procurement regulations due to the exemption in s12.1 (a) (vi) of the FRs *'for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.'*	*The council should ensure that where standard procurements requirements of the FRs are not applied, that the exemption used and noted in the minutes matches the situation.*	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
	The exemption selected by the council does not apply to this contract and the FR 12.1.(a) (iv) exemption *'for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council'* should have been considered.		
3	Contracts SLAs - It is noted that the PCSO SLA ended on 31/3/20 22 so a new agreement will need to be established. - The litter picking SLA provided was the temporary arrangement for three months in 2017 and the agreement states when the trial three months is over (in 2017) a new agreement will be put in place.	*Up to date SLAs should be established for all relevant contracts.*	**Implemented – SLAs provided as part of submission to internal audit in 2022/23.**
4	The internal checks carried out by councillors note that employees check fixed assets every six months and councillors annually. However, we could identify no evidence of these checks in the information provided for internal audit.	*The annual physical verification of all fixed assets should be evidenced by a signed and dated schedule to evidence compliance with the Financial Regulations for fixed assets that require an annual verification.*	**Annual verification of fixed assets is completed and 2021/22 fixed assets have been restated in the 2022/23 AGAR accounts and fixed asset register.**

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2020/21 internal audit			
1	Bank reconciliation: - The current account bank statements were not provided for internal audit. - Pension payments per the bank account did not agree to those in the cash book	*All bank statements must be provided for internal audit in future. We have now received a copy of the year end current account statement to verify the year-end balance included in the bank reconciliation.* *The council should resolve the pension payments issue and identify which is the correct amount of pension that should have been paid.*	**Implemented**
2	The risk assessment does not address the risks of supplier fraud. The supplier fraud risks can be managed via appropriately robust policies and procedures. Examples of prevention actions include: - training for staff to alert them to the potential risks of providing sensitive company information, by phone or other means, especially contract and account information. - establish a rigorous change of supplier details procedure - where a supplier	*The risk assessment should be updated to include supplier fraud including the adequacy of supplier onboarding controls.*	**Implemented**

	ISSUE	RECOMMENDATION	FOLLOW UP
	has purported to have changed their bank details always call the supplier to check the veracity of a request, using details in your system, rather than those on any associated letter or email. A person should be authorised to approve a supplier bank account change after having reviewed the process undertaken to verify the supplier details change - periodic review of supplier accounts should also be undertaken to remove any dormant accounts. This reduces the likelihood of any old supplier information being used to secure fraudulent payments. - checking address and financial health details with Companies House - checking samples of online payments to supplier invoices to ensure the payment has been made to the supplier bank account - adequacy of council insurance cover (NB most standard local council policies do not cover supplier fraud)		
2019/20 internal audit			

	ISSUE	RECOMMENDATION	FOLLOW UP
1	The adopted model Financial Regulations refer in section 10.) to a Purchase Order (PO) system (which would also clearly evidence the authority to spend). However, no PO system is currently in place. Section 4.) of the Financial Regulations (FRs) for Authority to Spend require a Chair and the Clerk to certify expenditure up to £500 and a duly delegated committee of the council for items over £500 and the council for items over £5000. However, it is not clear from our internal audit sample testing that the Authority to Spend requirements of the model Financial Regulations are applied to all expenditure.	*If the Purchase Order section of the FRs is an accepted requirement by council, then the council should establish a sequential Purchase Order system as required by the updated model Financial Regulations and ensure Purchase Orders for expenditure up to £500 are signed by a Chair and clerk, and POs for expenditure in excess of £500 include the minute reference on the PO evidencing the committee/council authority to spend.* *The council should review the updated NALC model FRs and determine which sections are appropriate to the scope and activity of the council.*	**Implemented**
2	Two general reserves are quoted in the reserves analysis – one is for £35000 and listed under earmarked reserves and the other is described as the General Fund of £13218.82	*The council should clearly analyse reserves between earmarked and general reserves. Sector guidance is that general reserves should be between 25% and 100% of the precept level.*	**Implemented**

	ISSUE	RECOMMENDATION	FOLLOW UP
2018/19 internal audit			
No issues arising – the council's system of internal controls has been operated effectively throughout the financial year. Risks identified such as adequacy of fidelity insurance cover and GDPR have been addressed during the financial year.			
2017/18 internal audit			
1	Data Protection Law changed significantly on May 25th 2018 due to the 2016 EU Directive General Data Protection Regulation (GDPR) taking effect. GDPR replaces the 1998 Data Protection Act and it will impose new obligations on Data Controllers and Data Processors and provides enhanced rights for individuals. Compliance with GDPR could have resource implications for local councils.	*The impact of GDPR on the council should be identified through review of ICO guidance and the Data Protection policy, risk assessment and internal controls should be updated accordingly.* *A GDPR compliant data protection policy and an updated document retention policy should be adopted. Privacy notices should be developed internally for all staff, members and volunteers, and externally for residents. Data processing agreements should be established where external data processors are used.*	**Implemented**
2016/17 audit issues			
1	We could not identify in the books and records provided an SLA or equivalent	*Please provide the agreement with WBC for the park ranger service for*	**Ranger appointed in 2017/18**

	ISSUE	RECOMMENDATION	FOLLOW UP
	with Warrington Borough Council for the provision of the park ranger.	*next year's audit*	