

**INTERNAL AUDIT REPORT
HALTON WITH AUGHTON PARISH COUNCIL
2024/25**

The internal audit was 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.

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 issues 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
2024/25 Internal Audit			
1	The council has breached adopted Financial Regulations (FRs) during the financial year in multiple instances relating to the Castle Hills project, CCTV expenditure and other general reimbursement expenditure: - there are examples of councillors paying for substantial good and services on personal credit cards. - the clerk has paid for significant goods and services in October 2024 when the Financial Regulations in place at the time prohibited use of personal credit cards. - there is evidence of councillors directly making orders for significant goods and services/contracts rather than the required authorisation for contracts/expenditure through council meetings. - There is evidence that significant expenditure has been authorised outside of council meetings and therefore in breach of the Financial Regulations requirements for authorisation of expenditure. - there is evidence of councillors undertaking procurement processes and functions including arranging contracts which is supposed to be a task reserved for the clerk/RFO per the Financial Regulations.(section5.15 of FRs) - a significant contract was undertaken by a councillor's	<i>Council activity must be managed under proper delegated authority by the council officer(s) and in compliance with s101 of the LGA 1972 and the adopted Financial Regulations. Individual councillors must not place orders for contracts or expenditure nor individually manage council procurement processes.</i> <i>When considering any new activity, the Clerk should produce a risk assessment including risk management proposals for consideration and adoption by the council, which should also cover staff resource implications.</i> <i>A clear audit trail in the minutes and declaration of interests must be maintained where any councillor business has been awarded a</i>	

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	business but no authorisation or consideration of this is included in advance in the council minutes. It is not clear whether relevant interests have been declared in this process as no audit trail information has been provided as requested. The delivery of council functions by individual councillors also breaches s101 of the LGA 1972 which states that '<i>a local authority may arrange for the discharge of any of their functions (a)by a committee, a sub-committee or an officer of the authority; or (b)by any other local authority.</i>' The Financial Regulations in place up to November 2024 and those adopted from November 2024 prohibit all of the above and specific sections of the FRs that are breached are listed below. We are informed that the above situation occurred due to staffing constraints, particularly for new projects, resulting in councillors having to undertake tasks. However, FRs require that 'when considering any new activity, the Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the council.' The council did not plan effectively for the impact of all the activities in the year to ensure sufficient staff resources would be available to deliver in accordance with the requirements of Financial Regulations. FRs in place up to November 2024: s4.1. Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. This	<i>contract to carry out council activity.</i> <i>All expenditure must be authorised in accordance with the requirements of the Financial Regulations s5.15.</i> <i>The requirements of the Financial Regulations with regards to personal credit or debit cards must be complied with.</i> <i>The council should consider securing a form of payment card which is already permitted by the adopted Financial Regulation under Section 9. (Payment cards) so that the clerk can use the card, subject to appropriate internal controls, to pay for council expenditure that requires a card payment.</i>	

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	authority is to be determined by: • the council for all items over £500; • the Clerk, in conjunction with Chairman of Council or Chairman of the appropriate committee, for any items between £200-£500. • the Clerk for any expenditure on revenue items below £200 for expenditure from an approved budget. s6.20..... Personal credit or debit cards of members or staff shall not be used under any circumstances. s10.4. A member may not issue an official order or make any contract on behalf of the council. 11h. When it is to enter into a contract of less than £25,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Clerk or RFO shall obtain 3 quotations (priced descriptions of the proposed supply); where the value is below [£3,000] and above [£100] the Clerk or RFO shall strive to obtain 3 estimates. Otherwise, Regulation 10.3 above shall apply. Relevant extracts from new FRs in place from November 2024: s5.8. For contracts greater than £6,000 excluding VAT the Clerk shall seek at least 3 fixed-price quotes; 5.9. where the value is between £2,000 and £6,000 excluding VAT, the Clerk shall try to obtain 3 estimates which might include evidence of online prices, or recent prices from regular suppliers. s5.15. Individual purchases within an agreed budget for that type of expenditure may be authorised by:		

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	• the Clerk, under delegated authority, for any items below £500 excluding VAT. • the Clerk, in consultation with the Chair of the Council, for any items below £2,000 excluding VAT. • the council for all items over £2,000; Such authorisation must be supported by a minute (in the case of council or committee decisions) or other auditable evidence trail. s5.16.No individual member, or informal group of members may issue an official order unless instructed to do so in advance by a resolution of the council or make any contract on behalf of the council. s9.4. Personal credit or debit cards of members or staff shall not be used except for expenses of up to £500 including VAT, incurred in accordance with council policy.		
2	The price charged for burial ground fees for one of the income sample items selected was incorrect as £230 was charged instead of £240.	<i>The adopted cemetery fees price list must be applied correctly to all cemetery invoices.</i>	
2023/24 Internal Audit			
1	General reserves are not clearly disclosed in the year end reserves analysis as we are informed that the Village Improvement fund also constitutes general reserves as opposed to earmarked funds. A clear reserves analysis is needed to ensure council are able to monitor the adequacy of general reserves with reference to sector guidance that councils should aim for a general reserve	<i>The council must disclose clearly the total level of earmarked and general reserves at the year end.</i>	Implemented

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	level of between 25% and 100% of the precept or net operating expenditure.		
2	The contract for £3623 for the Neighbourhood Plan landscape character appraisal was not subject to the standard procurement requirements of the Financial Regulations. We were informed that this was due to the contract being considered a specialist report.	<i>Where contracts are considered specialist and are not subject to standard quotation or tender procedures, the exemption relied on in the Financial Regulations should be stated in the minutes, for example FR 11.1.a.ii</i>	See 2024/25 procurement issues.
3	The risk assessment does not address the risks of supplier fraud. The supplier fraud risks can be managed via robust policies and procedures including prevention actions such as: - 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 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	<i>The risk assessment should be updated to include supplier fraud including the adequacy of supplier onboarding controls.</i>	Implemented including supplier fraud sections in adopted Financial Regulations

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	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		
4	Although the council complied with Regulation 15 of the Accounts and Audit Regulations 2015 in terms of publishing the notice for the exercise of public rights for the 2022/23 accounts, the notice published on the website was the incorrect template as the notice specifically states 'not to be published on the website'.	<i>The correct template notice for electors rights should be published on the website which includes the date of announcement.</i>	Implemented