



# Preesall Town Council

Internal Audit 2025/26

JDH BUSINESS SERVICES LTD

*Registered to carry on audit work by the Institute of Chartered Accountants in England and Wales*

The internal audit of Preesall Town 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 testing 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, **except for** the issues and associated recommendations reported in the action plan overleaf.

**J D H Business Services Ltd**

## ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>2025/26 Internal Audit</b>			
1	<p>Although total projected general and earmarked reserves are disclosed in the 2025/26 budget document, we could not identify any actual analysis of individual earmarked reserves. We could identify no analysis of earmarked/general reserves for the 2026/27 precept setting process and no detailed budget document to underpin the 2026/27 precept decision was provided. Minutes do record some consideration of reserves as the December 2025 council meeting noted a change to a contingency reserve to £71,200.</p> <p>It is important that the budget underpinning the precept contains a full audit trail to demonstrate the precept decision clearly takes into account of <i>'an amount that the council estimates will be appropriate to meet future estimated</i></p>	<p><i>The budget to support the precept must clearly take account of brought forward and carried forward reserves and detail the levels of all earmarked reserves that have been agreed by council.</i></p> <p><i>The council should review the level of general and earmarked reserves as part of the budget setting process with reference to sector guidance.</i></p> <p><i>A detailed budget for all categories of expenditure and income must be produced to underpin the precept setting decision.</i></p>	

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p><i>expenditure</i>’ (ie to hold in reserves). This is a requirement of sections 32 and 43 of the Local Government Finance Act 1992.</p> <p>Sector guidance is that councils should aim for a general reserve level of between 25% and 100% of the precept or net operating expenditure.</p>		
2	<p>Either very limited procurement information, or in some cases no evidence of procurement, was provided for the contracts in our sample in excess of £3000, which is the threshold in the Financial Regulations for securing three quotations (unless an exemption is applied). In addition, for one of the large contracts in the year, an invoice could not be located by the council for £4,000 of contract expenditure.</p> <p>Feedback from the clerk has clarified that some of the expenditure relates to a legacy left to the council and that the legacy terms prevail for contracting purposes, however, the council must still have regard to the requirements of the adopted Financial Regulations.</p>	<p><i>The council must ensure a comprehensive record of all procurements is retained and all contracts in excess of the threshold requiring quotations in the Financial Regulations must be procured accordingly. If exemptions to standard procurement requirements have been applied the minutes should clearly state the exemption in the Financial Regulations used.</i></p> <p><i>Invoices must be secured and retained for all supplies and services received. Payments should not be made to suppliers until an invoice has been received.</i></p>	

	<b>ISSUE</b>	<b>RECOMMENDATION</b>	<b>FOLLOW UP</b>
3	The council did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision for the exercise of public rights for the 2024/25 accounts. The public notice announcement date was the same date as the commencement of the public inspection period. The announcement date must be at least one day before the commencement date of public inspection.	<i>The council must comply with the requirements of the Accounts and Audit Regulations 2015 with respect to the notice for the exercise of public rights.</i>	
4	Pay rises are notified to the payroll agent via an email from the clerk.	<i>The Chair should be copied into the email notifying the annual officer pay rise information to the payroll agent. The council could also provide the minute authorising the pay rise as evidence to the payroll agent.</i>	
5	Although there is an adopted Annual Investment Strategy, this has not been reviewed since 2022.  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	<i>The council should review and update the Investment Strategy with reference to the requirements of the Local Government Act 2003.</i>	

	ISSUE	RECOMMENDATION	FOLLOW UP
	investments exceed or are expected to exceed £100,000 at any time during the financial year.		
<b>2024/25 Internal Audit</b>			
1	<p>One of our expenditure sample items for £4771.20 paid to LCC for SPID installation was queried with the clerk as a potential duplicate payment because the same amount was paid on another date to LCC. The clerk confirmed the amount was a duplicate payment and a refund would be sought from LCC.</p> <p>Internal council financial management and review of payments for approval should have identified this duplicate payment rather than the internal auditor after the year end as part of sample testing.</p>	<i>The council must implement robust internal controls to prevent duplicate payments to suppliers.</i>	<b>Implemented – no further duplicate payments identified in 2025/26. The duplicated amount was refunded to the council.</b>
2	<p>Fixed Assets:</p> <ul style="list-style-type: none"> <li>A significant asset purchase of land/garage for £43,755 in the year has not been included in the asset register.</li> </ul>	<i>The council must review the fixed asset register and ensure that all capital additions have been added to the register, net of VAT, and that all assets have been physically verified as an existence check.</i>	<b>Implemented – a comprehensive review of fixed assets has been carried out and the fixed asset register brought up to date and appropriate restatement of prior year figures completed.</b>

	ISSUE	RECOMMENDATION	FOLLOW UP
	<ul style="list-style-type: none"> <li>• SPID posts and signs purchased on the year could not be identified as capital additions in the asset register.</li> <li>• Three SPIDs, a noticeboard/bollard and an accessibility telescope had all been entered in the asset register gross of VAT. The VAT is reclaimable on these asset purchases so where purchase cost is used as the value for the asset they must be entered net of VAT in the asset register.</li> <li>• No evidence was provided that a full physical verification of current fixed assets had been carried out.</li> </ul>		
3	<p>No detailed procurement information was provided for any of the contracts in excess of £3000, which is the threshold in the Financial Regulations for securing three quotations unless an exemption is applied. The completed internal audit checklist stated there were no contracts in excess of £3000.</p> <p>Feedback from the clerk has clarified that some of the contracts in excess of £3000</p>	<p><i>The council must ensure a comprehensive record of all procurements is retained and all contracts in excess of the threshold requiring quotations in the Financial Regulations must be procured accordingly. If exemptions to standard procurement requirements have been applied the minutes should clearly state the exemption in the Financial Regulations used.</i></p>	<p><b>Recommendation outstanding - See 2025/26 procurement issues above</b></p>

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>were procured with an individual supplier for the following reasons:</p> <ul style="list-style-type: none"> <li>- proprietary items, for example the tourist telescope/accessibility telescope</li> <li>- the council had to use LCC Highways department for the SPID posts as they are located on the highway</li> <li>- SPID's – The provider was used to ensure all SPIDs were the same as they had already supplied these items previously</li> </ul>		
4	<p>Although total general and earmarked reserves are disclosed in the 2025/26 budget document we could not identify an actual analysis of individual earmarked reserves.</p> <p>Sector guidance is that councils should aim for a general reserve level of between 25% and 100% of the precept or net operating expenditure.</p>	<p><i>The council should review the level of general and earmarked reserves as part of the budget setting process with reference to sector guidance and ensure a detailed analysis of specific earmarked reserves is established.</i></p>	<p><b>Recommendation outstanding - See 2025/26 reserves and budget issues above</b></p>

	<b>ISSUE</b>	<b>RECOMMENDATION</b>	<b>FOLLOW UP</b>
5	The December 2024 minutes record that the budget was agreed for 2025/26, however, the amount of the precept is not recorded in the minutes.	<i>The amount of the precept request should be recorded within the council minutes to ensure transparency and compliance with the Local Government Finance Act 1992.</i>	<b>Implemented</b>
6	Internal control objective M in the AGAR internal audit certificate covers whether the Public Rights Notice during the previous Summer (2023/24 financial year) was compliant with the Regulations.  The public notice start date of ‘Monday 17 <sup>th</sup> ’ excludes the actual month.	<i>The council should state the month as well as the date in the Annual Notice of Public Rights.</i>	<b>Recommendation outstanding - See 2025/26 Public Rights Notice issue above</b>
7	The previous 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: <ul style="list-style-type: none"> <li>- 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.</li> <li>- establish a rigorous change of supplier details procedure - where a supplier has</li> </ul>	<i>The risk assessment should be updated to include supplier fraud including the adequacy of supplier onboarding controls.</i>	<b>Implemented</b>

	<b>ISSUE</b>	<b>RECOMMENDATION</b>	<b>FOLLOW UP</b>
	<p>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</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- checking address and financial health details with Companies House</li> <li>- checking samples of online payments to supplier invoices to ensure the payment has been made to the supplier bank account</li> </ul>		

## 2023/24 internal audit

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>AGAR internal control objective A – Appropriate Accounting Records kept throughout financial year</b>			
1	<p>A spreadsheet has replaced the Rialtas accounting system as the council prime book of record but we could identify authorisation for this change in the council minutes.</p> <p>During the period of the financial year when the council were without a clerk/RFO, they did not nominate an individual to be the temporary RFO. During this time, payments were made by a councillor after two councillor signatories approved the payments, but the prime book of record was not updated so no budgetary control reports or bank reconciliation were produced during this period although the new clerk has produced this information later in the financial year, for instance the June quarter budgetary control report.</p>	<p><i>The prime book of record is the key financial transaction record of the council and a change to the accounting system used should be authorised by council.</i></p> <p><i>An individual/councillor should be nominated formally in a council meeting to be the RFO during periods when the council is without a clerk/RFO as an RFO needs to be in place throughout the financial year in accordance with the Local Government Act 1982 (s151).</i></p>	<p><b>2024/25 follow up – Spreadsheet still being used although we are informed the aim is to move back to using Rialtas.</b></p>

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>AGAR internal control objective B – Compliance with Financial Regulations, payments supported by invoices, all expenditure approved and VAT appropriately accounted for</b>			
2	<p>No procurement information was provided regarding the Christmas lighting and whether there is a written contract and how long the contract has been agreed for. We are informed the previous clerk did seek verbal quotations but as they were higher than the cost for the incumbent’s services council stayed with the current provider.</p> <p>The November 2023 council meeting resolved under item 132(10) for the replacement ferry shelter and Barton Square bus shelter to accept a quotation from one supplier only. The final contract payment in February 2024 was for £37,152. Although the contract is above the threshold requiring formal tendering in the Financial Regulations, the purchase was financed by monies from a legacy left to the council to be spend on Knott End. All expenditure has to be approved by the solicitor Legacy manager. The minutes did not record that the expenditure was from</p>	<p><i>The council should ensure a comprehensive record of all procurements is retained.</i></p> <p><i>The council minutes should disclose clearly when money from the legacy is being expended and note when they are not applying the standard requirements of the FRs for expenditure financed by the legacy.</i></p>	<p><b>2025/26 follow up – Recommendation Outstanding</b></p> <p><b>2024/25 follow up – Recommendation Outstanding</b></p>

	ISSUE	RECOMMENDATION	FOLLOW UP
	the legacy and therefore not from precept funds.		
3	No evidence was provided to support one of our expenses sample items relating to an underpaid mileage claim of £41	<i>Supporting documentation should be retained for alle expenses and mileage claims</i>	<b>No further expenses issues identified in 2024/25</b>
<b>AGAR internal control objective C – Adequate Risk Assessment</b>			
4	<p>The council has disclosed that fidelity cover is currently £250,000. 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 £173,768 plus the next precept instalment of £100,109 (2024/25), which is an estimated maximum projected balance of £273,877.</p> <p>Financial Regulations require the following:</p> <p><i>16.5. All appropriate members and employees of the council shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined by the council.</i></p>	<p><i>As part of risk assessment procedures, the council should annually estimate maximum projected cash and bank balances as part of annual risk assessment and set the level of fidelity insurance accordingly as required by paragraph 16.5 of the Financial Regulations</i></p> <p><i>The council need to review the current level of fidelity insurance as it does not cover maximum projected cash and bank balances.</i></p>	<b>2024/25 follow up – Reserves have reduced to a level such that £250,000 fidelity insurance covers maximum projected balances.</b>

	ISSUE	RECOMMENDATION	FOLLOW UP
5	<p>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:</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- 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</li> <li>- 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.</li> <li>- checking address and financial health details with Companies House</li> </ul>	<p><i>The risk assessment should be updated to include supplier fraud including the adequacy of supplier onboarding controls.</i></p>	<p><b>2025/26 follow up - implemented</b></p> <p><b>2024/25 follow up – Recommendation Outstanding</b></p>

	ISSUE	RECOMMENDATION	FOLLOW UP
	- checking samples of online payments to supplier invoices to ensure the payment has been made to the supplier bank account		
<b>AGAR internal control objective D – The precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</b>			
6	General reserves at the year-end were disclosed as just below 100% of the precept level. However, this a based on an earmarked reserve analysis provided for internal audit which was dated in 2023. Sector guidance is that councils should aim for a general reserve level of between 25% and 100% of the precept or net operating expenditure. The Practitioners Guide also notes this recommended level of reserves.	<i>The council should review the level of general and earmarked reserves as part of the next budget setting process with reference to sector guidance.</i>	<b>2025/26 follow up – Recommendation Outstanding</b>  <b>2024/25 follow up – Recommendation Outstanding</b>
7	Quarterly budgetary control information was not provided throughout the financial year on a timely basis due to the absence of a clerk for a period of the financial year. For instance, the quarter two budgetary control statement was not produced so the new clerk compiled a statement for	<i>The council must comply with the budgetary control requirements of the Financial Regulations.</i>	<b>No further budgetary control issues identified in 2024/25</b>

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>presentation to the in January 2024 meeting Financial Regulations require the following:</p> <p><i>4.8. The RFO shall regularly provide the council with a statement of receipts and payments to date under each head of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements are to be prepared at least at the end of each financial quarter and shall show explanations of material variances. For this purpose “material” shall be in excess of £100 or 15% of the budget.</i></p>		
<b>AGAR internal control objective E – Expected income fully received, correctly priced, recorded and promptly banked and VAT accounted for</b>			
<b>No issues arising</b>			
<b>AGAR internal control objective G – Wages and salaries and members allowances paid in accordance with council approvals, and PAYE and NIC requirements properly applied</b>			
8	<p>Pay rises are notified to the payroll agent via an email from the clerk.</p>	<p><i>The Chair should be copied into the email notifying the annual officer pay rise information to the payroll agent. The council could also provide the minute authorising the pay rise as evidence to the payroll agent.</i></p>	<p><b>2024/25 follow up – Implemented, however, see 2025/26 issue as internal control not applied.</b></p>

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>AGAR internal control objective H – Asset and investment registers complete and accurate and properly maintained</b>			
<b>No issues arising</b>			
<b>AGAR internal control objective I – Periodic and year end bank reconciliations were properly carried out</b>			
9	The statement from the Hampshire Building Society to support the year end bank reconciliation was dated August 2023.	<i>Year end statements from all bank accounts should be used for the year end bank reconciliation to ensure all transactions have been included in the council accounts.</i>	<b>2024/25 follow up – Implemented</b>
<b>AGAR internal control objective J – Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.</b>			
10	The AGAR accounts are incorrect as ‘Staff Costs’ includes significant payments made to the SLCC as an agency for locum staff.  The Practitioners Guide requires all agency costs for locum staff to be classified as other payments rather than staff costs.	<i>The AGAR accounts must be amended to remove SLCC agency staff costs from ‘Staff Costs’ and include them in ‘Other Payments’ instead, to comply with the Practitioners Guide.</i>	<b>NB the final version of the 2023/24 AGAR accounts were amended to reflect this issue.</b>

	ISSUE	RECOMMENDATION	FOLLOW UP
<b>AGAR internal control objectives K - NOT APPLICABLE</b>			
<b>AGAR internal control objective L - The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.</b>			
No issues arising – except for item 11 below			
<b>AGAR internal control objective M - In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2023/24 AGAR period, were public rights in relation to the 2022/23 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).</b>			
No Issues Arising			
<b>AGAR internal control objective N - The authority has complied with the publication requirements for the 2022/23 AGAR</b>			
11	<p>Publication Requirements:</p> <p>The completed Notice of Conclusion of Audit and Audit Certificate were not published by the deadline of September 30<sup>th</sup> 2023. Only a blank certificate is published on the council website.</p>	<p><i>The council must comply with the publication requirements of the Accounts and Audit Regulations 2015.</i></p>	<p><b>2024/25 follow up – Implemented</b></p>

	ISSUE	RECOMMENDATION	FOLLOW UP
	Therefore, we have concluded in the AGAR internal audit certificate that the council did not comply with the publication requirements for the 2022/23 AGAR audit as required by the Accounts and Audit Regulations 2015.		
<b>AGAR internal control objective O – The council met its responsibilities as sole trustee</b>			
Not applicable as the council has not disclosed that it is the sole trustee of a trust.			