



## What is the Purpose of an Internal Audit for a Parish/Town Council?

Extract from Internal Auditor Forum (IAF)

*Internal Audit for Parish and Town Councils is very different from that in organisations covered by the Companies Acts or Charity law. Its purpose is to look at the internal control environment and to ensure that practices and adopted procedures are followed.*

*It is not the role of the Internal Auditor to add up and balance income and expenditure of a council.*

*For Councils under the £25,000 threshold, the internal audit is the only professional external scrutiny the public body will receive.*

*The Internal Auditor will provide a comprehensive report as well as complete the appropriate page of the Annual Governance and Accountability Return (AGAR).*

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the council through its staff and management and not left for internal audit.

## Internal Audit Report

Council: **Great and Little Carlton Parish Council 2024/2025**

Period: **1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2025**

The requirements of this internal audit (IA) are based on the LALC approved IA checklist and via questions and queries raised via email and in person to the Parish Clerk & RFO.

I have carried out review of available records and relevant associated documents during this review between 1<sup>st</sup> and 25<sup>th</sup> June 2025 on-line via the Councils website:

<https://carltons.parish.lincolnshire.gov.uk/>

It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council to detect error or fraud.

This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.

**The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.**

I have completed a thorough audit of Great & Little Carlton Parish Council primarily limited to systems and procedures and financial balancing. I have not undertaken an in-depth audit of the accounts as necessary information (i.e., receipts and invoices) are not available.

The following areas of review were included in the scope of the audit process:

- **Accounting and bank reconciliations**

I was unable to undertake a review of financial records, the cashbook (prior to January 2025) and invoices to check that records are arithmetically correct as no effective audit trail can be found for transactions. Bank reconciliations and financial transactions that are available have been reviewed and checked to ensure that they have been signed and authorised as appropriate by the Council.

- **Asset control and risk management**

Review of the council's asset controls and risk assessment procedures.

- **Budget and income**

Covering the Council's budgeting processes and its annual precept request.

- **Governance**

Review of available key governance documents of a local council including Standing Orders, Financial Regulations, Code of Conduct, complaints procedures and insurance cover for the Council.

- **Transparency and requirements of the Transparency Code**

Covering the council's transparency, including, but not limited to data protection procedures, spending authorisation and the Council's publication scheme. This review also covers the Council's requirement to publish documents and records in line with the relevant Transparency Code and best practice.

- **Payroll and HR**

A review of payroll processes and HR policies and procedures including the legal responsibility of the Council in respect of contracts of employment and its undertaking of annual reviews to include the update of post roles and responsibilities and periodic pay scale reviews (where necessary).

- **Proper process and practices**

This includes a review of the processes followed by the council in respect of its legal powers to act, the membership of the authority including whether co-options have been carried out appropriately, declarations of interest are recorded as necessary, and registers of interest are published on the council's website.

- **Review of transactions in the financial year**

A spot check of a random selection of transactions during the financial year. The review checks that there is an audit trail for the transactions from authority to spend through to payment of the invoice.

- **Year - end process**

Reviewing the end of year bank balances, cashbook and ledger and the completion and signing of the Annual Governance and Accountability Return AGAR (once completed).

## **General**

I am satisfied that the accounts and balances for the 2024/25 financial and administration period appear correct but are not supported by invoices or accurate records but based on bank statements alone.

The Parish Clerk has maintained accurate documentation for the Parish Council and has kept robust financial records during the 2024/25 administration period since January 2025.

A completed LALC IA checklist accompanies this report and identifies any areas of concern for consideration and action.

## **Annual Internal Audit Report (AIAR)**

The Annual Internal Audit Report (AIAR) 2024/25 has been completed in accordance with findings during the audit process once received from the Parish Council.

This form, part of the Annual Governance and Accountability Return (AGAR) has been duly signed and the year-end process of submitting to the nationally appointed auditor (PKF Littlejohn) must be undertaken by the Parish Council.

It is best practice to publish this Internal Audit Report and the accompanying checklist.

### **FINDINGS:**

- **KEY DOCUMENTS AND GOVERNANCE**

**Financial Regulations (FR's)** – Not reviewed or updated during 2024/25.

**Standing Orders** – Reviewed or updated during 2024/25.

**Terms of Reference (committees)** (ToR's - Finance & Hr Committees) – Reviewed or updated during 2024/25.

**Meetings** – Notes / minutes of meetings are overall promptly published on the Parish Council website.

**Code of Conduct** – A code of conduct was not reviewed or updated during 2024/25.

**Complaints Policy** – A complaints policy was adopted in 2022 but has not been reviewed during 2024/25. This is not evident on the parish council website.

**Insurance Cover** – Insurance cover for 2025/26 is in place and certification (i.e., Public Liability and Employees liability) is published on the Parish Council website.

**Publication Scheme** – A publication scheme was reviewed during 2024/25 but is not evident on the parish council website.

- **TRANSPARENCY**

**Previous Internal Audit Report** – No previous internal audit report (apart from the relevant section of the AGAR) is available on the parish council website.

**Provision of Public Rights** – Correctly displayed on the parish council website 2023/24.

**Appointment of Internal Auditor** - Internal Auditor appointment undertaken via the service offered by the Lincolnshire Association of Local Councils (LALC).

**Asset Register** – An asset register is not published on the Parish Council website.

**Health and Safety inspection of assets** – The Clerk advised that documentation to support de-fib inspections is maintained and available.

**Internal Controls** – Internal Control methods (including policy documents) have been considered on an ad-hoc basis during the 2024/25 period and policy documentation has been adopted.

**Investment Strategy** – The Parish Council may wish to consider adopting an investment strategy to safeguard public funds.

**Access to Data** – Access to personal and identifiable data and information is suitably restricted with access by the Clerk & RFO only.

**Charities / Trust Funds** –The Parish Council does not hold or manage any charity or trust funds within the community

**Accessibility** – An accessibility statement is evident on the Parish Council website hosted by LCC.

- **FINANCE**

**Expenditure / Income** – I was unable to undertake a review of financial records, the cashbook (prior to January 2025) and invoices to check that records are arithmetically correct as no effective audit trail can be found for transactions.

**Bank reconciliations** – There is not effective audit trail in respect of bank reconciliation from 1<sup>st</sup> April 2024 to 31<sup>st</sup> December 2024.

**Direct Debits, Standing Orders, and regular payments** – Clear authorisation of regular payments have been made; it is noted that there are no direct debits or standing orders set up at the time the audit was undertaken.

**Cheques, Credit and Debit Cards** – Authorisation of payments has been made on an ad-hoc basis only.

**s.137 Payments** – One payment (donation) was identified within the accounts – Poppy Wreath 2024.

**Borrowings** – There is no evidence of any Public Sector (PWL B) borrowings made in the name of the Parish Council.

**Precept & Budget** –the undertaking of a suitable budget process to support its precept demand for the 2024/25 period is not evidenced.

**Internal Transfers / Virements** – There is no evidence of any internal transfers or virements during the 2024/25 period.

**Earmarked / General reserves** – Not evidenced.

**VAT** – No VAT reclaims appear to have been made since February 2022.

- **MANAGEMENT**

**Meetings, Minutes & Agendas** – from sample evidence it appears that Agendas are correctly displayed on the Parish Council website. It remains unclear if elected Members (Cllrs) receive a summons to attend meetings.

**Employment – HR, Payroll Policy, and Rates of Pay** – A review of HR & Payroll processes was undertaken, and all matters (since January 2025) are adequately evidenced.

## **RECOMMENDATIONS**

The Parish Council should carefully review the accompanying Internal Audit checklist and continue to work through areas of concern to rectify identified matters and risks.

- **Previous Audit** – The Council has not properly addressed matters contained in the 2023/24 internal audit report.
- **Accounting** – It is recognised that the council's income and expenditure is limited and as such the system of using bank statements as accounting records is functional but contrary to best practice and statements within the AGAR form. The implementation of a simple accounting record, regular bank reconciliation and budget monitoring is essential.

**VAT** – No claim for VAT has been made since February 2022. Appropriate guidance has been provided on making such a claim.

- **Transparency** – The Council does not comply with transparency regulations due to previous poor record keeping and reporting.
- **Due Process** – Public agendas and minutes are correct and available on the website. Members interests are accessible from the website – Note: it is a legal responsibility of individual elected Members to ensure their DPI form is up to date.
- **Asset Register** - Fixed assets were reviewed during 2023/24 however the publishing of an asset register remains outstanding.
- **Risk Management** - No unusual activity identified within the minutes.

**Insurance** has been reviewed for 2025/26 and is appropriate. Internal control methods have been implemented by the clerk (since January 2025).

**Bank balances** are not reported to meetings and should be either directly through the minutes or by use of accounting statements at least quarterly.

**Section 137** payments have been made and recorded separately.

**Document storage** - Cloud storage is used to backup files.

**Financial Regulations** – whilst functional are very basic and do not include some legislative matters. A review and adoption (based on the NALC model) should be considered.

**Standing Orders** - should be reviewed and adopted based on the NALC model.

**Publication Scheme** – No Publication Scheme is evident on the website; this remains a legal requirement.

**Payroll** – since January 2025, the Clerk & RFO has used the HMRC online toolkit to calculate payroll figures including PAYE and NI amounts.

- **Budget** – No budget process was followed or prepared for the period covered. Whilst limited financial transactions are appreciated, the Council has a duty to ensure budgets are prepared and regularly reviewed.

**Reserves** appear adequate but the Council does not have a policy or procedure to manage or monitor its reserves.

- **Year End Procedures** - Areas of concern are highlighted in the IA part of the AGAR form and accompanying document.

**Annual return** correctly signed and submitted in previous year. Notice of Public Rights to be correctly published once approved by the Council (26<sup>th</sup> June 2025). The Clerk & RFO is aware of the requirements.

The parish Council and Clerk should continue to seek and receive support and advice from professional bodies (i.e., LALC / NALC) to extend its basic policies and adopt best practice methods and documentation during 2025/26 and consider commitment to sector specific training for elected Members and staff.

The Parish Council should consider publishing all relevant information relevant to the Transparency Code 2015 available via:

Further guidance and advice in respect of proper practice is outlined in the Joint Panel Accountability and Governance Practitioners Guide 2025 available via:

<https://www.lalc.co.uk/jpag-practitioners-guide>

• **CONCLUSION**

During a face-to-face discussion, the Parish Clerk & RFO was polite and courteous at all times with queries and questions answered freely without hesitation. The limited supporting documentation was openly shared.

The Clerk & RFO has worked tirelessly since employment began in January 2025 to rectify previous and ongoing matters and should be supported by the Council to ensure areas for improvement are achieved during the 2025/26 period.

The Parish Council is supported by a dedicated Clerk & RFO who continues to advise the Council on legal and best practice methods which will enable the Parish Council to move forward and address historical issues and matters to promote the effective delivery of Council business.

*Steve Fletcher*

Mr S Fletcher

On behalf of Lincolnshire Association of Local Councils

24<sup>th</sup> June 2025

Area of work checked	Outcome	
	Satisfactory	Improvement(s) Necessary
Implementation of previous auditor recommendations		✓
Implementation of previous AGAR weaknesses / recommendations		✓
Key Governance Review		✓
Transparency		✓
Accounting		✓
Budget		✓
Income Control		✓
Bank Reconciliation		✓
Petty Cash	n/a	n/a
Year- end process	✓	
Asset Control		✓
Risk Management		✓
General Administration	✓	
Proper Process / Practice		✓
Payroll / HR	✓	
Transaction spot checks		✓
Allotments	n/a	n/a
Cemetery and burials	n/a	n/a
Charities	n/a	n/a
Community Buildings	n/a	n/a
Markets	n/a	n/a
Other	n/a	n/a