



INTERNAL AUDIT

Council:
North Scarle Parish Council

Auditor:
Sabrina Doherty

Questions and Responses

Please see following pages...

INTERNAL AUDIT REPORT

About Office Elite Limited

Office Elite Limited is an Office Support and Technical Services and Consulting Practice owned and run by Sabrina Doherty who is a CiLCA qualified clerk with 26 years of Local Government experience, maintaining Principal membership of the Society of Local Council Clerks. She is partnered by Steven Doherty who has 25 years of experience in the IT industry.

Sabrina started conducting Town and Parish Council Audits in 2024 having practiced as a Clerk since 2019.

This review has been conducted by Sabrina Doherty PSLCC who is the appointed Internal Auditor for the Council.

INTERNAL AUDIT REPORT - continued

Key Findings

Accounting Records

A1:What accounting system does the authority use?

Auditor Comment:The Council has a spreadsheet to manage its accounts.

A1:Are the cash book or accounting records kept up to date throughout the year?

Auditor Response:Yes

Auditor Comment:I am aware that throughout the year the Council has not had accounts and these have been created by the incoming Clerk at the year end. For this reason I will have to answer 'No' to control objective A as the Council has not been fulfilling the requirements of proper practices.

A2:Are monthly control totals or cash summaries reviewed so errors are spotted promptly?

Auditor Response:No

Auditor Comment:The council did not have accounts and so monthly control totals were not being checked. I am satisfied that this has been corrected since the appointment of the new Clerk however this still necessitates a 'No' response to the control objective.

A3:Do opening balances for the year agree to the prior year closed accounts / AGAR?

Auditor Response:Yes

A4:Is there a clear audit trail from bank entries and invoices back to the accounting records?

Auditor Response:No

Auditor Comment:There is missing paperwork and some payments have been made which do not match the invoice or payslip recorded. The accounts are adjusted to match the bank transactions so there is a true picture of the cash position. The minutes do show evidence of some accounting work having been carried out within the year but the minutes provided to me are not signed either. Due to the turnover of clerks there appears to have been a loss of records through the year.

Governance, Expenditure & VAT

B1:Have Standing Orders been formally adopted and kept current?

Auditor Response:Yes

Auditor Comment:Standing Orders were adopted at the July meeting. These do not appear to be published online so I could not check them.

INTERNAL AUDIT REPORT - continued

Key Findings

B2: Have Financial Regulations been formally adopted and kept current?

Auditor Response: Yes

Auditor Comment: The Council minutes show that the most up to date Financial Regulations have been adopted, however the version on the website is out of date.

B3: Is expenditure approved in line with Financial Regulations, delegated authority and minuted decisions?

Auditor Response: Yes

Auditor Comment: The minutes evidence the approvals and consideration of expenditure that is not routine.

B4: Is each payment supported by an invoice/receipt and, where relevant, VAT evidence?

Auditor Response: No

Auditor Comment: There is a discrepancy in the records and some payments have been made but the corresponding paperwork has not been retained if it existed.

B5: Have procurement and tender thresholds in Financial Regulations been followed for larger purchases/contracts?

Auditor Response: N/A

Auditor Comment: No above threshold purchases have been made in the year.

B6: Have direct debits, standing orders or recurring payments been approved and reviewed periodically?

Auditor Response: No

Auditor Comment: For good practice the council should regularly review what payments it makes by direct debit and standing order to ensure that it is still happy to do so.

B8: Is VAT correctly identified, recorded and reclaimed or paid where appropriate?

Auditor Response: Yes

Auditor Comment: The VAT126 process is used. There is evidence of a payment received from HMRC in April 2025.

B9: If debit or credit cards are used, are they governed by policy, spending limits and review?

Auditor Response: N/A

Risk Management

Audit Approval Date: 07/06/2026 10:57

INTERNAL AUDIT REPORT - continued

Key Findings

C1:Has the authority reviewed and approved a risk assessment during the year?

Auditor Response:No

Auditor Comment:I could not find evidence of a corporate risk register having been adopted or reviewed within the financial year. I must therefore answer 'No' to control objective C and the Council must answer 'No' to box 5 on the Annual Governance Statement.

C2:Has insurance cover been reviewed to ensure key risks and assets are adequately insured?

Auditor Response:Yes

C3:Is fidelity guarantee / employee dishonesty cover in place at a level appropriate to funds handled?

Auditor Response:Yes

Auditor Comment:The Council has a sector specific policy which includes this as standard.

C4:Has the council reviewed the effectiveness of its internal control arrangements during the year?

Auditor Response:No

Auditor Comment:I can find no evidence of a review of the internal controls active within the council. It is best practice to do this each year to ensure that the council is still happy that the control measures are suitable and effective.

C5:Are there arrangements to prevent and detect fraud and corruption (for example approvals, separation of duties or counter-fraud awareness)?

Auditor Response:No

Auditor Comment:It is clear from the records reviewed that there is nothing in place which prevents a person in charge of the bank from making unauthorised payments and no checks and balances in place to ensure that payments are made correctly. The Council needs to consider what actions it will take to secure public funds going forward.

Budgetary Control

D1:Was the annual budget approved by council before the start of the financial year?

Auditor Response:Yes

INTERNAL AUDIT REPORT - continued

Key Findings

D2: Did the precept or rates demand result from the approved budget and receive formal approval?

Auditor Response: Yes

D3: Were budget monitoring reports presented to council during the year?

Auditor Response: No

D4: Were general and earmarked reserves reviewed and is the level of reserves explained?

Auditor Response: Partially

Auditor Comment: The council has healthy reserves and they were used to prop up the budget for the 2025-26 year. Councillors should remain cautious about operating in the manner as the reserves can only be spent once. More consideration should be given to planning for future expenditure requirements and earmarked reserves created to cover such things eg tool replacement for the handyman, essential repairs for the allotments or cemetery etc.

Income

E1: Have fees, charges, rents or other regular income rates been reviewed and approved where relevant?

Auditor Response: Yes

E2: Is all expected income recorded promptly and completely in the accounting records?

Auditor Response: Partially

Auditor Comment: It is clear from the minutes that some record keeping was happening but it is difficult to be able to say with complete confidence that this was happening through the year given the loss of records towards the end of the year.

E3: Is income banked promptly and intact?

Auditor Response: Yes

Auditor Comment: It appears that most income is received electronically, direct to the bank.

E4: Are grants, CIL or other restricted income streams tracked against any conditions or permitted use?

Auditor Response: Yes

INTERNAL AUDIT REPORT - continued

Key Findings

E5:Are debtors, arrears or unpaid invoices monitored and followed up where relevant?

Auditor Response:Yes

Payroll

G1:Are staffing structure, contracts and salary scales approved by the authority?

Auditor Response:Yes

G2:Is payroll operated in accordance with PAYE, NI and pension requirements?

Auditor Response:No

Auditor Comment:The council has been using PAYE tools to manage payroll and later in the year outsourced to an external provider as there had been some issues recorded whereby the HMRC payments were made twice due to the locum clerk not being aware of the direct debit having been set up. There has also been issues of underpayment to one individual and another individual having been paid outside of payroll altogether. There is also evidence of a payment having been made which there are no records for. On discussion with the new clerk this may have been termination payments to include unused holiday but there are no proper records to help understand what has happened.

G3:Are salary changes, overtime, expenses and honoraria approved before payment?

Auditor Response:No

Auditor Comment:I cannot answer yes to this due to the issues reported above. However, the new clerk is very experienced and I am confident that these issues will not be repeated.

G4:If member allowances are paid, are they approved and correctly reported?

Auditor Response:N/A

Assets & Investments

H1:Is the asset register complete, current and reviewed at least annually?

Auditor Response:No

Auditor Comment:I could find no evidence of an asset register or of it being considered and approved by the Council. The only document available online is the land register which is not the same thing. The Council should consider and approve an asset register asap as this is key to properly signing off the AGAR.

INTERNAL AUDIT REPORT - continued

Key Findings

H2: Are additions, disposals and ownership/rights changes properly approved and reflected in the asset register?

Auditor Response: N/A

H3: Does the asset register broadly agree to insurance schedules and other key records?

Auditor Response: N/A

Auditor Comment: I have not had sight of either document so I cannot assess this.

H4: Are investments and long-term deposits recorded, authorised and reviewed?

Auditor Response: N/A

Auditor Comment: The council does not have long term investments.

Bank Reconciliation

I1: Are bank reconciliations completed regularly for all bank and deposit accounts?

Auditor Response: Yes

Auditor Comment: The minutes demonstrate that these have been carried out fairly regularly, but I have not had sight of any for the earlier part of the year.

I2: Are bank reconciliations independently reviewed and evidenced?

Auditor Response: No

Auditor Comment: I have answered no to this as I cannot find evidence that the bank statements have been verified against the bank reconciliations. To ensure that internal controls are effective there needs to be evidence that councillors have independently verified the totals across all of the accounts to the reconciliation report. This is usually confirmed by a signed report and corresponding bank statements.

I3: Are unusual reconciling items, old unrepresented payments or transfers investigated promptly?

Auditor Response: No

Auditor Comment: No, the issues reported above and the lack of proper accounting has demonstrated that there has not been proper checking carried out until the end of the year.

Year-End Accounts & AGAR

J1: Were the year-end accounts prepared on the correct accounting basis for the authority?

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INTERNAL AUDIT REPORT - continued

Key Findings

Auditor Response:Yes

J2:Do the AGAR accounting statement figures agree to the underlying cash book / ledger and reconciliations?

Auditor Response:No

Auditor Comment:Box 4 includes the invoice costs for the locums employed through LALC. This should be adjusted before submission to include only costs that were payrolled. Locum invoices must be placed into box 6.

J3:Where applicable, are debtors, creditors, accruals and other year-end adjustments properly recorded?

Auditor Response:N/A

J4:Have the AGAR boxes, cross-casts and prior-year comparatives been checked before approval?

Auditor Response:Yes

Auditor Comment:I have checked the draft and noted a change which must be made above. Councillors should check the figure presented in box 9 before approving the AGAR as I've not had sight of an asset register to be able to double check this.

J5:For Accounting Statements Box 11, do the figures include any trust transactions?

Website, Publication & Public Rights

L1:Does the authority maintain an active website or webpage that is accessible to the public?

Auditor Response:Yes

L2:Are core governance and finance documents published and kept up to date on the website?

Auditor Response:Partially

Auditor Comment:The approved standing orders should be added and the financial regulations updated. The Council should be publishing a list of the all the payments made over £100.00. Whilst these are contained in the minutes, the spirit of the transparency code is not being adhered to, there should be a machine readable list that doesn't require ferreting through multiple documents to self-compile. A simple spreadsheet publication each year would meet the requirements of the code.

Reports that are sent to council should be published with the agenda

INTERNAL AUDIT REPORT - continued

Key Findings

Auditor Comment: where these are effectively public items.

The budget should also be published online.

The Council does not appear to have adopted the ICO publication scheme, whilst it is caught by the Transparency Code, it should also adopt the ICO scheme as this is an easy way to ensure that the council is publishing as much as it possibly can on its website. There is limited information about the councillors published on the website. Ideally a profile page for each would be available which sets out what roles they have for the council and how to get in touch with them.

L3: Is the authority's website content sufficiently current at the time of internal audit?

Auditor Response: No

Auditor Comment: Key documents are missing or out of date. The website is very basic and doesn't reflect everything that the council is involved in. Information about the Heritage Room would be nice to see - the management documents are good but there is no information about what it is and what is in there.

L4: Where the Transparency Code applies, are the required transparency publications available?

Auditor Response: No

M1: Were the dates for the exercise of public rights set correctly for the prior year's accounts?

Auditor Comment: Longer than 30 days was granted for the public rights period.

M2: Was the notice of public rights published with the required supporting documents?

Auditor Response: Yes

M3: Were records available for inspection during the public rights period if requested?

Auditor Response: Yes

Auditor Comment: It is assumed that the prior years records were in order as the accounts were reported on the AGAR. As there was a locum in place the records could have been provided if they were requested.

N1: Was the prior-year AGAR publication pack complete (including the required sections, notices and external auditor report where applicable)?

INTERNAL AUDIT REPORT - continued

Key Findings

Auditor Response:Yes

N2:Did the prior-year AGAR publication pack remain available on the website / webpage at the time of internal audit?

Auditor Response:Yes

Internal Audit & Follow-up

AU1:Has an independent internal auditor been appointed for the year?

Auditor Response:Yes

AU2:Did the internal auditor have access to records and report their findings to the authority?

Auditor Response:Yes

Auditor Comment:I assume so as they completed the AIAR certificate but I have not had sight of a narrative report showing what they reviewed.

AU3:Are recommendations from internal and external audit logged, tracked and given target dates?

Auditor Response:N/A

AU4:Has the council formally considered audit reports and minuted actions taken or planned?

Auditor Response:Yes

Legal Compliance & Commitments

LC1:Were any actual or potential breaches of law, regulation or proper practice identified during the year?

Auditor Response:Yes

Auditor Comment:Payroll issues identified.

LC2:Where the authority relies on the General Power of Competence, is the enabling resolution current and properly evidenced?

Auditor Response:N/A

LC3:Were there any significant litigation matters, liabilities, commitments or post-year-end events with financial impact?

INTERNAL AUDIT REPORT - continued

Key Findings

Auditor Response:No

LC4:If such matters existed, were they reflected in or considered for the year-end accounting statements?

Auditor Response:N/A

IT & Data Management

O1:Has the authority adopted and reviewed an IT policy within the last 12 months?

Auditor Response:No

Auditor Comment:This is a key requirement for the new Assertion 10. The council should seek to adopt a policy before the next year-end.

O10:Have staff and councillors received basic IT, cyber security or data protection awareness guidance/training?

Auditor Response:No

Auditor Comment:There is no mention of these topics within the minutes. There are free resources available on gov.uk. Staff and councillors should make sure that they undertake basic awareness training.

O11:Where third-party systems or suppliers store council data, are there appropriate contracts or processor terms in place?

Auditor Response:N/A

Auditor Comment:I have not been provided with any contracts that the council may have in place - the obvious one is the payroll provider - the council should satisfy itself that appropriate contract terms are in place for them to process staff data.

O12:Are electronic records stored in an organised way so key documents can be retrieved promptly for audit, FOI or subject access requests?

Auditor Response:No

Auditor Comment:Unknown, I will assume 'no' based on the loss of financial records.

O2:Is responsibility for IT systems and data management clearly assigned?

Auditor Response:Yes

Auditor Comment:This falls to the Clerk role to manage, however I have not seen an employment contract and job description to confirm.

O3:Is the authority registered with the ICO and is the registration current?

Auditor Response:No

INTERNAL AUDIT REPORT - continued

Key Findings

Auditor Comment: I could not find an entry on the ICO register for the Parish Council. The council must be registered by law. A small discount can be achieved by paying through direct debit.

04: Are a Data Protection policy and Privacy Notice adopted and current?

Auditor Response: Partially

Auditor Comment: There is a data protection policy and a privacy policy in place that were adopted in 2018. I have not seen reference to a review being carried out and there have been small changes in legislation since these templates were initially generated. The council should review its policies and practices before the end of 2026-27.

05: Is there a records retention schedule and secure disposal process for paper and electronic records?

Auditor Response: Yes

06: Are council email accounts, domains and user access controlled so leavers can be removed promptly and only authorised users have access?

Auditor Response: Yes

07: Which baseline cyber controls are in place?

Auditor Comment: Basic password controls in place. This should be reviewed to ensure Multifactor authentication is deployed as a minimum and that virus and malware protections are in place on the clerk's laptop.

08: Are council files, email or systems backed up and can data be restored if needed?

Auditor Response: No

Auditor Comment: The council should review how it is storing and managing its electronic documents to ensure that records can be properly retrieved in future if there is a changeover in staff. Backups are essential.

09: Is there a documented process for reporting and managing cyber incidents or personal data breaches?

Auditor Response: No

Auditor Comment: The council must ensure that it has a procedure in place to deal with data breaches and cyber security incidents. A breach log should be in place and can form part of a log which records FOI requests and Subject Access Requests and associated internal reviews.

Key Findings

AUDITOR SUMMARY AND RECOMMENDATIONS

The Council has suffered from a turnover of clerks which has meant that key records have not been maintained or retained. This has presented a problem in terms of trying to audit what the council has in place. Where the records have not been available, it has been assumed that they do not exist, but if they do, it is likely that they are out of date. There are a number of outstanding matters from the last internal audit report which should be addressed.

The Council is missing key governance documents such as a risk register and an asset register. The Standing Orders and Financial Regulations, although having been minuted as adopted are out of date and the latest versions referred to in the minutes are missing. It also does not appear to have robust internal controls on effect as there have been many errors in payments, particularly with reference to payroll.

I would recommend that the Council seeks to replace the website with one which it has greater control over and takes the time to update this with the required publications as set out in the Transparency Code for Smaller Authorities. It will need to ensure that the new website meets accessibility regulations. This should be reviewed on a regular basis.

An IT policy will need to be adopted and a review of the Council's IT arrangements and security, including backup of files is essential.

The Council should contact former clerks and/or councillors who have held records on its behalf and seek to recover whatever it can from those individuals. I am concerned that the signed minute books are not complete and with the new Clerk or held in the office at the village hall.

I would recommend that the council use the NALC Local Council Award Scheme as a framework to ensure that it has the basic governance requirements in place as a priority. It should also consider the possibility of a sector specific accounting package to ensure that the accounts are not 'lost' again. Spreadsheets are cheap to use but can cost more in the long run with lost time either through total corruption or deletion of formulas or incorrect formulas etc. Third party software is backed up and easily transferred between clerks should that need arise in the future. Potentially HMRC is going to require digital submission of tax returns at some point in the future so ideally the council could anticipate this and prepare early.

As a result of my findings I would recommend that the Council answer 'No' to boxes 1,2,3,4,5,7 and 10.