# NORTH SCARLE PARISH COUNCIL

# INTERNAL AUDITOR'S REPORT FOR FINANCIAL YEAR 2025/26

**ACCOUNTING REGORDS**

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.

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

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 AND VAT**

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

The Council minutes show that Financial Regulations have been adopted; however the version used was out of date.

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

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

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

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

**RISK MANAGEMENT**

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.

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.

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.

**BUDGETERY CONTROL**

I could find no evidence of the budget or precept being approved by council

I could find no evidence of regular budget monitoring

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**

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.

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

**PAYROLL**

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.

I cannot answer yes to salary changes, overtime, expenses and honoraria being approved before payment due to the issues reported above. However, the new clerk is very experienced and I am confident that these issues will not be repeated.

**ASSESTS AND INVESTMENTS**

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.

The council does not have long term investments.

**BANK RECONCILIATIONS**

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

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.

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 AND AGAR**

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.

I have checked the draft AGAR 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.

**WEBSITE, PUBLICATION AND PUBLIC RIGHTS**

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 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.

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.

Longer than 30 days was granted for the public rights to inspect accounts period.

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.

**INTERNAL AUDIT AND FOLLOW UP**

I assume the internal auditor had access to the councils accounting records as they completed the AGAR certificate but I have not had sight of a narrative report showing what they reviewed.

There is no evidence that the internal and external auditor’s recommendations were logged, tracked or given target dates.

There are no minutes to show that the council formally considered audit reports or actions to be taken.

**LEGAL COMPLIANCE AND COMMITMENT**

Payroll issues identified as a potential breach of law, regulation or proper practice during the year

IT & DATA MANAGEMENT

A key requirement for the new Assertion 10 is that the council should must adopt and review an IT policy; it is recommended that the council adopt a policy before the next year-end.

There is no mention of basic IT, cyber security of data protection awareness guidance/training within the minutes. There are free resource available on gov.uk. Staff and councillors should make sure that they undertake basic awareness training.

I assume electronic records are not stored in an organised way so key documents can be retrieved promptly for audit, FOI or subject access requests, based on the loss of financial records.

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.

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.

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.

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.

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.