Internal Audit Report
to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return 2024 - 2025

Name of Authority:	Great Bowden Parish Council		
Name of Internal Auditor:	Joanne Lowe	Year ending:	31 March 2025
Date audit carried out:	13 / 06 / 2025	Date of report:	20 / 06 / 2025

Internal audit is the periodic independent review of an authority's internal controls. This should result in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the authority's internal controls should be a day-to-day function through its staff and management and not left for internal audit. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of an authority 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 proper practices referred to in the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015 are set out in the Smaller Authorities Proper Practices Panel (SAPPP) *Practitioners Guide*. This is a guide to the accounting practices to be followed by local councils which sets out the appropriate standard of financial reporting to be followed.

- Para 4.11 of the *Practitioners' Guide* asserts that the independence of the appointed person or firm should be reviewed every year.
- Para 4.16 requires that authorities should carry out a review of the effectiveness of their overall internal audit arrangements, at least once each year.
- Para 5.103 specifies that the authority should 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.

This report is addressed to the Chair of Council or Parish Meeting for circulation to all members. It must be considered in a meeting of the full council or parish meeting.

The authority needs to have considered all matters brought to its attention by internal and external audit, and should have taken corrective action as appropriate. *Practitioners Guide* 1.39

To the Chair of Great Bowden Parish Council

I have been allocated by the Leicestershire & Rutland Association of Local Councils (LRALC) as the appointed Internal Auditor for Great Bowden Parish Council for the financial year ended 31st March 2025. My role as internal auditor, acting independently and on the basis of an assessment of risk, is to carry out a selective assessment of compliance with relevant procedures and controls which were in operation during the financial year.
I would like to thank your Clerk and your RFO for their support and openness during our Zoom meeting on Friday 13th June 2025.

In preparation for the audit, I examined the publicly available information displayed on the council's website, including the council's policies, procedures, agendas, minutes, financial and other records. I sought evidence to confirm that the previous year's Internal and External Audit reports had been properly reported to the council and where necessary acted upon by the council. During my audit I also examined the council's arrangements for the management and control of its business in the areas of bookkeeping, due processes (i.e. compliance with the proper practices as set out in the Smaller Authorities Proper Practices Panel (SAPPP) Practitioners Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control, year-end procedures and compliance with the publication requirements of the 2024-2025 AGAR.

I have tested all the aspects of the council's internal controls that I am required to consider and based on the information made available to me, I have provided the below report. Accordingly, I have completed and signed off the Annual Internal Audit Report as required.

Reports from internal and external auditors 2023-2024

Following a telephone conversation with the external auditor, I understand that no external audit work has not been conducted since year 2022-23 as the council failed to submit a completed AGAR for the financial year 2022-23.

It must also be noted that 6 out of the 7 recommendations made by the Internal Auditor for 23-24 have not been addressed and therefore the Council should have ticked No to Assertion 7 on the Annual Governance Statement for 2024-25.

Comment or recommendation from internal auditor 2023-2024	**Comment from internal auditor for this report**
Improve financial transparency – List money received, payments made and the bank balance figure as part of the minutes.	No addressed during financial year 2024 – 2025 and therefore will remain a recommendation for 2025 – 2026.

The budget and the precept figures need to be clearly identified within the minutes.	No addressed during financial year 2024 – 2025 and therefore will remain a recommendation for 2025 – 2026.
Financial Regulations should cover online payments - Annually Review Financial Regulations & SOs	No addressed during financial year 2024 – 2025 and therefore will remain a recommendation for 2025 – 2026.
Keep website up to date - Upload updated policy documents	Addressed.
Annually appoint Responsible Financial Officer	No addressed during financial year 2024 – 2025 and therefore will remain a recommendation for 2025 – 2026.
Comply with Pension provision - Register with the Pensions Regulator	No addressed during financial year 2024 – 2025 and therefore will remain a recommendation for 2025 – 2026.
Succession Planning – ensure that Accounts can be accessed by someone else if necessary - Keep log in and passwords for Accounts in a sealed envelope held by the Clerk	No addressed during financial year 2024 – 2025 and therefore will remain a recommendation for 2025 – 2026.

Recommendations for this report

<u>Recommendations from internal auditor 2024-2025</u>

1. **RFO Appointment**: A Parish Councillor is currently serving as the Responsible Financial Officer (RFO) for the council. Section 1.9 of the Smaller Authorities' Proper Practices Panel (SAPPP) Practioner's Guide for 2025 states that "other members may perform these roles (ie Clerk or RFO), unpaid, on a short-term basis providing appropriate safeguards are in place or if their appointment is unavoidable to ensure statutory functions continue to be fulfilled. This arrangement has been in place for at least a year but the Council cannot produce any minutes confirming the formal appointment. ***The Council should put into place steps to recruit a Responsible Financial Officer for the council.***

2. **Financial Reporting**: At each Parish Council meeting, the RFO provides an Excel spreadsheet referred to as a "financial addendum", listing all transactions since the

previous meeting. This document does not include opening or closing balances thus no bank reconciliations are carried out. While the financial addendum is referenced in the minutes, it is not physically signed or appended to the signed minutes. Bank statements are not reviewed at meetings. Section 1.10 of the SAPPP Practioner's Guide states that statements reconciling each of the authority's bank accounts with its accounting records need to be prepared on a regular basis, including at the financial year-end and reviewed by members of the authority. ***The council must undertake regular bank reconciliations showing opening and closing balances for all bank accounts. A list of transactions needs to be itemised within the minutes.***

3. **Lack of Financial Oversight and Authorisation**: It is routine for transactions to be made without prior approval from the council and are instead retrospectively approved at meetings by a record in the financial addendum. For example, a defibrillator was purchased without any prior approval, nor quotes being presented to the Council; the expenditure was simply included in the subsequent financial addendum. It is in contrary to the principles of adequate and effective financial management and a sound system of internal control as outlined in the Accounts and Audit Regulations 2015. Section 1.15 of the SAPPP Practioner's Guide also states that Safe and Efficient Arrangements to Safeguard Public Money - Practical and resilient arrangements need to exist covering how the authority orders goods and services, incurs liabilities, manages debtors, makes payments, and handles receipts. ***The Council should ensure that all future expenditure is subject to formal approval by the full Council or to a properly delegated authority.***

4. **Review of Council Contracts**: Council contracts are not currently reviewed or re-tendered, which is contrary to the duty of Best Value under the Local Government Act 1999. The Council will also ensure that future procurement follows best practice by obtaining appropriate quotations or tenders in line with Financial Regulations and procurement thresholds. ***To ensure compliance and demonstrate value for money, the Council should implement a formal schedule for the periodic review of all ongoing contracts.***

5. **Payroll Process:** The council do not operate a payroll system to pay the Clerk. Parish Councils must register as an employer with HMRC and operate PAYE on the income the Clerk earns. Section 5.49 of the SAPPP Practitioners' Guide 2025 states that authorities are, by definition, employers and the clerk of any Local Council is always an employee if they are remunerated for the role and Authorities are required to be registered with HMRC. Section 1.1.6 also states that "In addition to having robust payroll arrangements

which cover the accuracy and legitimacy of payments of salaries and wages, and associated liabilities, the authority needs to ensure that it has complied with its duties under employment legislation and has met its pension obligations". A previous years IA recommendation was to register with the Pensions Regulator which has not been actioned. ***The Council must register as an employer with HMRC and enrol the Clerk onto a payroll system to ensure compliance with employment and pension obligations***

6. **Budget Monitoring:** No budget monitoring is undertaken. Section 1.8 of the SAPPP Practioner's Guide for 2025 states that councils needs to monitor actual performance against its budget during the year, taking corrective action where necessary. This is not undertaken. ***The Council must undertake budget monitoring regularly during the financial year.***

7. **Financial Regulations and Standing Orders**: The council does not have an adopted set of Financial Regulations, instead relying on a 2016 version of the JPAG guidelines, which it re-adopts annually. Standing Orders have been reduced down to 5 pages and are not fit for purpose. Section 1.14 of the SAPPP Practioner's Guide states that the authority needs to have in place standing orders and financial regulations governing how it operates. These need to be regularly reviewed, fit for purpose, and adhered to. Section 1.15.2 also states that authorities need to ensure controls over money are embedded in Standing Orders and Financial Regulations. ***The Council must formally adopt Financial Regulations and should use the latest NALC model templates to review and update both Financial Regulations and Standing Orders***

8. **Lack of Risk Management** – The Council only has a financial risk assessment and not a comprehensive risk management policy covering wider council activities, including risks associated with assets such as the Pavillion. Section 1.31 states "Identifying and assessing risks - The authority needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences" ***The Council must adopt a full risk management policy that encompasses all areas of its operations, ensures regular review, and includes specific assessments for key assets and services.***

9. **AGAR Publication Compliance** – The authority must comply with the publication requirements in relation to the prior year's AGAR have been met as detailed on the front page of the current year's AGAR. It is noted by the IA that the council did not consider, approve or sign the accounts at the relevant Council meeting. Council also used the Notice of Public Rights for exempt authorities for 23-24 when they were not exempt.

The AGAR must be properly considered, approved and signed at the relevant meeting. Council must ensure that the correct form for the Notice of Public Rights is used depending on whether they are exempt or not.

10. The 2024 Practitioners' Guide now requires councils to use gov.uk email addresses for Councillors, the Clerk, and the Council's website domain. Guidance outlines the benefits of enhanced security and professionalism. ***The Council should transition to gov.uk email addresses for Councillors and the Clerk, and adopt a gov.uk domain for its website, in line with best practice set out in the Practitioners' Guide***

11. Succession Planning - Ensure that Accounts can be accessed by someone else if necessary - Keep log in and passwords for Accounts in a sealed envelope held by the Clerk

Areas in the 2024-2025 AGAR Annual Internal Audit Report for which Yes or N/A cannot be ticked

	Reason
A – No	The IA could not verify that the closing cashbook balance from the end of the previous year was accurate.
B – No	Council does not review any formal tenders and quotes. Council have not adopted Finanical Regulations and their Standing Orders are not fit for purpose. No procedures in place for approval of payments by Council.
C – No	Council do not have in place appropriate and comprehensive registers of assessed risks, only that covers financial activities.
D – No	Budget monitoring was not carried out during 24-25
E – Yes	
F – N/A	
G – No	The Clerk is not on a payroll system and the Council is not registered with HMRC.
H – Yes	
I - No	Bank reconciliations are not regularly presented to Council.
J – Yes	
K – N/A	
L – Yes	

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M – Yes	
N – No	The AGAR for 23-24 was not considered, approved or signed at the relevant meeting.
O – N/A	

Section 2 - Accounting Statements 2024/25

From the bank statements provided, the internal auditor was unable to verify the figures reported in Boxes 1 and 7 for 2024–25 on the AGAR submitted by the Council. However, the figure in Box 8 was confirmed as accurate. It was also noted that the Council uses a receipts and payments accounting system, making it unclear why there is a discrepancy between Boxes 7 and 8.

	Year ending 31 March 2024	**Year ending 31 March 2025**
1. Balances brought forward	44909	71905
2. Annual precept	38000	39500
3. Total other receipts	41584	25193
4. Staff costs	4368	4789
5. Loan interest/capital repayments	0	0
6. Total other payments	48220	85106
7. Balances carried forward	71905	46703
8. Total cash and investments	71905	60599
9. Total fixed assets and long-term assets	347960	363356
10. Total borrowings	0	0

Yours sincerely,

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