



## **LETWELL PARISH COUNCIL INTERNAL AUDIT FOR THE FINANCIAL YEAR 2024/2025**

### **Background and Introduction**

All town and parish councils are required by statute to make arrangements for an independent internal audit and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). The Parish Council has requested that Faye Hazlehurst t/a FH Accountancy Services provides this service, based on a letter of engagement agreed and signed by the Council. The audit is not designed to identify all significant weaknesses in the Council's systems but, if such weaknesses come to my notice during the course of the examination, which I think should be brought to your attention; I shall report them to you.

The responsibility for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the Council. The audit should not be relied upon to disclose all material misstatements or frauds; errors or instances of non-compliance as might exist.

Faye Hazlehurst is a member of the Internal Audit Forum – an association of Internal Auditors for local councils which seeks to promote high quality internal audit.

### **Independence**

It is important that the auditor is independent of the Council and has no conflict of interest, in order that a truly professional audit is performed. I am not aware of any relationships that might constitute a threat to my independence.

### **Internal Audit Approach**

In accordance with the 'Accountability and Governance, Practitioners' Guide, March 2024', my work plan consisted of an investigation to review whether the systems of financial and other controls over the Council's activities and operating procedures are effective. Areas covered by the testing included;

- **Bookkeeping**
- **Due process**
- **Risk management arrangements**
- **Budgetary controls**
- **Petty cash**
- **Payroll control**
- **Asset control**
- **Bank reconciliation**
- **Year-end procedures**
- **Miscellaneous**



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## Findings

The small authority has had a difficult couple of years, for the period ending 31 March 2025 I have been able to evidence marked progress. They have implemented new policies, updated areas of the website and implemented new controls and checks. There are still some areas that need improvement, but I am confident these can be attained during 2025/26.

The internal audit was carried out off site after a face-to-face meeting with two councillors, one of which is currently acting RFO. All records and evidence were provided in paper format or electronically. Detailed internal control testing was carried out and findings presented in this report.

Detailed below are my findings and recommendations that should be considered by the council.

## Bookkeeping

The council have maintained an electronic cashbook throughout the year; this was up to date and arithmetically correct.

There was no S137 during the year, the small authority should ensure any future S137 expenditure is recorded separately within the cashbook, minuted, within the limits and a direct benefit to the electorate.

VAT is currently shown on a separate sheet from within the electronic workbook. *I would advise that a separate column is implemented on the main cashbook sheet to show the VAT element, this will assist with checks on the correct apportionment of VAT and the amount to be reclaimed.*

Council minutes were complete, up to date and initialled in each page and signed overall.

I am pleased to note the small authority has implemented a .gov email address for the Clerk and Councillors.

## Due Process

New model standing orders have been adopted by the council these were approved in March 2024. There was no review during the year, the review took place in May 2025. *Standing Orders should be reviewed annually.*

Financial Regulations (FR's) were adopted in March 2024. The FR's are properly tailored to the council and purchasing authority is defined within the regulations. During the year the small authority introduced a debit card which has been issued to three councillors, *ensure the FR's are reviewed and include debit/credit card arrangements including storage and usage of cards.* All payments made via the debit card should be approved by council.

The council advised that new Model Financial Regulations were approved and adopted in May 2025.

Of the items selected for sampling all expenditure items were supported by an invoice/receipt and authorised at council meetings. Invoices were not certified; *the small authority may benefit*

*from a suitable certification stamp.* The council advised that payments were approved electronically prior to payment being made but I was unable to evidence this.

The small authority confirmed that a member's audit was not in place, *I advise the council implements a quarterly members audit to verify invoices, these should be signed and dated as evidence of the review.*

The internal controls have improved since 2024 but there are still further improvements to be made. *The council should look to implement dual authority at the bank; this will strengthen the segregation of duties.* Direct debits and standing orders should be approved annually by the small authority.

The small authority makes payment to a cleaner, there was no invoice presented, council should check if the cleaner is registered as self employed and whether she has her own insurance.

### **Risk Assessment Arrangements**

The Council now has an up-to-date risk register that was reviewed and approved by council in April 2024. Insurance provision is appropriate for the size of the council including Fidelity guarantee. There is no cyber or business interruption cover in place, council should look at risk v's cost.

There was no evidence that internal controls were reviewed during the year. As part of risk assessment arrangements *the council should look to review their internal controls and effectiveness annually, this review and approval should be minuted.*

### **Budgetary controls**

The Council set their budget on an annual basis in preparation for applying for the precept; this was formally adopted by Council in January 2025. The precept demand was clearly minuted.

There was no reporting of budget against spend throughout the year. *This should be reported at least quarterly to council.* There was no analysis of variances reported at the year-end. The council advise that they plan to provide budget variance reporting from 2025 onwards.

The Parish Council holds only general reserves; the level of reserves is within proper practice.

### **Income controls**

The precept received by council agrees to central government records, VAT has been reclaimed during the year for the year in question and backdated from August 2022.

Of the income selected for sampling the audit trail was more difficult to follow, where bar takings and income for hall hire was received in cash the audit trail through to the bank was not always straight forward, however, the cash taken was banked regularly. *Ensure income for bar takings and Hall hire, taken is receipted/invoiced and a clear audit trail is present.*

The small authority should implement a diary system for hall hire which should include the identification of the hirer and crossed referenced to invoices raised.

The Council reviewed their fees and charges during the year; these are available on the website.

### **Petty Cash**

The council holds no petty cash.

### **Payroll controls**

During the year the Council employed a Clerk/RFO, I was able to evidence that a contract of employment was in place with clear terms and conditions; I note that the mileage rate was above that recommended by HMRC. The salary was paid in accordance with the contract and the correct treatment has been applied to all PAYE. RTI submissions were made on time with liabilities paid over to HMRC via direct debit.

The Clerk/RFO is under the automatic enrolment threshold, therefore there are no contributions due for pensions.

The council have separate policies for grievance and disciplinary, (NALC model) these were reviewed and approved in April 2024.

### **Asset control**

The Council maintains an Asset Register of all material assets owned or in its care, this was updated during the year but was not yet available on the small authority's website. The cost value of assets are included on the register, I would advise to include the date of the purchase (where known). There were no disposals during the year.

There is currently no physical verification of assets, this will be discussed in the forthcoming year.

### **Bank reconciliations**

Bank reconciliations are carried out monthly and signed by a councillor. Bank statements should be periodically and independently verified to the bank balance and signed and dated as evidence of the review. The bank statements and year end accounts reconcile.

There have been no new bank accounts during the year.

### **Year-end procedures**

The accounts are prepared on a receipts and payments basis. The accounting statements were accurate and agreed to the council's cashbook.

### **Miscellaneous**

The small authority has continued to review its policies during the year; I note the privacy policy contains the name of another small authority. *The complaints policy should be reviewed as the last review was 2013.* All policies should show the new email address.

Although the small authority met the criteria to certify itself exempt and approved the exemption certificate before 30 June, it failed to record the approval of the exemption within the minutes, and the required information was not published on the small authority's website.

The council has declared itself exempt from external audit for the year 2025, therefore it must comply with the transparency code for smaller authorities. The following items must be available on the Council's website:

- All items of expenditure above £100
- Year-end accounts
- Annual governance statements
- Internal audit report
- List of councillors and responsibilities
- Asset register
- Minutes, agenda and meeting papers of formal meetings.

The small authority failed to display the current asset register on its website at the time of the internal audit.

As part of the publication requirements the small authority is required to publish various documents on a publicly available website. The council failed to publish the following:

- Analysis of variances
- The certificate of exemption was added to the website during the audit

### **Conclusion**

All of the controls contained within the internal audit section of the AGAR were examined, the council failed to meet control D, K, L and N.

The small authority has worked hard to pay all outstanding debts. There is a clear improvement, however there are still some areas that could be improved further, these are highlighted in the above report.

I would like to thank Martin and Christina for their assistance during the audit.

Faye Hazlehurst FMAAT  
Internal Auditor – 25 May 2025