HIGH MELTON PARISH COUNCIL
INTERNAL AUDIT FOR THE FINANCIAL YEAR 2025/26

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 'Smaller Authorities' Proper Practices Panel (SAPPP)' Practitioners Guide, March 2025', section 4, my work plan consists of an investigation to review whether the systems of financial and other controls over the Council's activities and operating procedures are effective.

Summary

The internal audit was carried out remotely, prior to the audit the Clerk/RFO completed the pre-audit questionnaire. All records and evidence were provided by the Clerk electronically or via the website. Detailed internal control testing was carried out, in the section below I have recorded my Annual Internal Audit Report (AIAR) responses and offered some comments by way of explanation for these.

Internal Audit Assessment

The table below follows the format of the AIAR of the AGAR, for each section questions have been raised to establish the systems and control arrangements. The responses, along with the supporting evidence provided, has allowed review, challenge, examination and assessment.

AGAR (AIAR section) Internal Control Objective, Internal Audit assessment and related comments	Yes/No
A. Appropriate accounting records have been properly kept through the financial year.	**Yes**
Based on the review of the Council minutes and the systems and supporting records, the Council has put in place effective procedures to accurately and promptly record all financial transactions, it has maintained up to date accounting records throughout the year, together with the necessary supporting information. The cashbook is maintained in excel and payments are reported to the Council at each meeting and approval is recorded within the minutes. ***Ensure S137 transactions are correctly identified and recorded within the cashbook. S137 should also be recorded as such within the minutes.*** *Minutes* ***Ensure apologies for absence are formally accepted and recorded to manage the statutory six-month rule. Draft minutes should be uploaded within 1 month of the meeting.***	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	**No**
Financial Regulations (FR'S) were reviewed and approved in July 25; the new NALC model has been adopted although an older version remains on the Councils website, this requires updating. The FR's are tailored to the council and purchasing authority is defined within the regulations. ***The tender threshold in Standing Orders and Financial Regulations differs, this should be rectified.*** All payments selected for sampling were supported by invoices; however the treatment of VAT was not correct for a number of payments. Payments are approved by Members and recorded within the minutes. The Council has only single authority for online payments; this is the Clerk; members have not carried out an audit of the records during the year. ***Ensure the updated version of FR's is updated on the Council's website. Ensure VAT is correctly accounted for within the cashbook and reclaimed at least annually, this has been identified at previous audits and is a loss of income for the Council.*** ***Internal controls for payments should be improved; the Council should review its processes to ensure they deliver the intended control in all instances. Improvements could be achieved by implementing dual authority on the bank accounts or carrying out a regular Members audit, the audits should be signed and dated as evidence of the review.***	
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	**Yes**
The Council has risk schedule (risk register) in place that was approved in May 25. There was no evidence that Internal controls and their effectiveness have been reviewed during the year. ***Council should review the effectiveness of internal controls annually and record this within the minutes.*** Levels of insurance are appropriate for the size of the council; members should consider the risk v's cost on cyber cover.	

D. The precept or rates required resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	**Yes**
The Council set their budget on an annual basis in preparation for applying for the precept; this was formally adopted by Council in January 2026. The precept demand was correctly recorded within the minutes. Evidence of budget monitoring was recorded within the March 26 minutes with the approval of the re-allocation of funds being sought, the Clerk advises that he regularly reviews the budget; ***this should be presented regularly to Members (as per the FR's) and noted within the minutes***. There were no unexplained variances at the end of the year. The level of general reserves are within proper practice, the Council has no earmarked reserves.	
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	**Yes**
The Council receives limited income beyond the precept, other sources being interest and a grant. The precept received by Council agrees to central government records. The Council do not raise fees that attract VAT.	
F. Cash payments were properly supported by receipts; all cash expenditure was approved and VAT appropriately accounted for.	**Not Covered**
The council makes no payments in cash.	
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	**Yes**
The Clerk has a contract of employment in place with clear terms and conditions. The salary payable to the Clerk has been approved by Members, other re-imbursed expenses are approved and recorded within the minutes. The Council uses basic PAYE tools to facilitate salary processing. Salary payments are made in accordance with agreed terms and relevant deductions are made. RTI returns and payments have been submitted and paid within the correct time frame. There are no pension liabilities as the Clerk's salary is below the Automatic Enrolment threshold.	
H. Asset and investment registers were complete and accurate and properly maintained.	**No**
The Council maintains an Asset Register of all material assets owned or in its care, this is to be approved by Council in May 2026. Assets on the register are appropriately insured. Gifted/Donated assets should be shown at a cost of £1, the current value of these assets shown is nil. Two noticeboards are on the asset register inclusive of VAT. The asset register shows the purchase cost but no insurance or replacement cost. The value of the asset register and that reported on the AGAR is inconsistent. ***The asset register should be updated to reflect the correct values net of VAT; it is also recommended that the insurance value and replacement cost of the assets are also added to the register.***	

The figures for 2025 on the AGAR Accounting Statements, line 9, should be re-stated to reflect the removal of the VAT element and correct value of the assets.	
I. Periodic bank account reconciliations were carried out during the year.	**Yes**
Bank reconciliations are carried out every month, the reconciliation consolidates both the Council's bank accounts, these are reviewed and recorded within the minutes. The year-end bank reconciliation has no unexplained balancing entries. ***There was no evidence that the bank statements are periodically checked to the bank reconciliations, these should be reviewed regularly and signed and dated as evidence of the review.***	
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	**Yes**
The accounting statements have been prepared on the correct accounting basis (receipts and payments). The accounting process is effective and appropriate; the accounting statements agree to the cash book and are supported by an adequate audit trail from underlying records and explanations.	
K. If the authority certified itself exempt from a limited assurance review in 2024/25, it met the exemption criteria and correctly declared itself exempt (if the authority had a limited assurance review of its 2024/25 AGAR tick "not covered")	**Yes**
The Council certified itself as exempt from a limited assurance review in 2024/25 and met the exemption criteria. ***I recommend the approval of the exemption certificate is recorded as a separate minute for transparency. Ensure the relevant minute is recorded on the Certificate of Exemption.***	
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	**No**
The Council has not published all the information required at the time of the internal audit. • May 2025 minutes were missing from the website • Items of £100 are listed but there is no date and VAT has not been accounted for ***Published expenditure greater than £100 should show the date of the expenditure and be net of VAT unless VAT is irrecoverable.*** ***I was unable to open the Model Publication Scheme policy from the website.***	
M. In the year covered by the AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2025/26 AGAR period, were public rights in relation to the 2024/25 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	**No**
The Council failed to comply with public rights as the period was in excess of 30 days.	
N. The authority has complied with the publication requirements for 2024/25 AGAR.	**Yes**
I have given a positive assertion to control N as although the Council failed to display public rights for a period of 30 days (control M) they have complied with the publication requirements for 2024/25; all the relevant information has been published on the Council's website before the relevant dates.	
O. The authority has complied with laws, regulations and proper practices relating to digital and data compliance.	**No**

To prompt a positive response to this control the Council should have the following controls in place: • An IT policy which covers the use of personal equipment – none in place • A generic email account hosted on an authority owned domain – no • Contacted their web provider to review the site compliance – no • Website meet accessibility guideline 2.2 AA – no • Evidence of completed data audit of personal data points - none An up-to-date privacy notice and accessibility statement is available on the website; ***this should be updated as still refers to the DPA 1998***.	
P. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	**Not Applicable**
The Council (as a body) does not have trust or charitable responsibilities.	

Conclusion
There are several areas within this report that have been brough to the Council's attention in previous audits. These areas of weakness expose the Council to potential risk and should be addressed as soon as possible, along with other areas highlighted within this report. The Clerk should seek guidance from the Practitioners guide and the local council association.

I would like to thank Paul for his assistance during the internal audit.

Faye Hazlehurst FMAAT
Internal Auditor – 28 April 2026