



Internal Audit Report - **INTERMEDIATE AND FINAL**

This audit report is to read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return.

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the council 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 a council 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 council is required to 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. Failure to take appropriate action may lead to a qualified audit opinion.

Council:	Potterhanworth Parish Council
Internal Auditor:	Cathryn Nicoll
Year Ending:	31 March 2025
Date of Report:	10 April 2025 (Intermediate) 22 May 2025 (Final)

Lincolnshire Association of Local Councils INTERMEDIATE Internal Audit Report

To the Chairman of Potterhanworth Parish Council

I have examined council business including policies, agendas and minutes, accounting and financial statements and other documents relevant to this audit.

This report should be read in conjunction with the Internal Audit Checklist. Comments, recommendations and/or suggestions are listed below.

I am aware that over the recent past there have been a number of changes in clerk to Potterhanworth Parish Council including the use of a Locum Clerk sourced through the LALC. The Locum Clerk has made some suggestions to improve the management and governance of Potterhanworth Parish Council.

The current clerk/rfo has been in post for a comparatively short period of time and is doing excellent work to ensure that the council is being managed in a way to make sure that the council is legal. See also the "comments" on the Internal Audit Checklist. The current clerk is also engaged as the responsible financial officer.

KEY GOVERNANCE

There are Standing Orders and Financial Regulations posted on the website however these are not tailored to Potterhanworth Parish Council; no date of adoption is shown nor is the date of review.

There are no committees in place negating the need for Terms of Reference (ToR) - however see recommendations below.

There is no evidence that Councillors have received a copy of the Code of Conduct (CoC) and signed to confirm compliance with the CoC.

Noted the clerk/rfo is currently working to ensure the requirements of GDPR are being met.

Recommendations: As a minimum the following should be put in place as quickly as possible.

- Standing Orders and Financial Regulations updated, adopted and published on the website.
- Code of Conduct provided to Councillors and a signature to confirm compliance to the CoC obtained.
- Complaints Policy.
- Scheme of Publication adopted and published.

TRANSPARENCY

There is some doubt whether all required documents have been published on the website and/or local noticeboard. It is essential that all documents are published correctly. The clerk/rfo is aware of the requirements and has given an assurance that this will happen in the future.

Recommendation: Up to date Asset Register should be produced without delay, adopted by Council and published.
(nb: this needs to be in place before the final AGAR can be signed off).

ACCOUNTING / BUDGET

Historically there is some doubt in relation to compliance of elements of these headings, however the new clerk/rfo is fully aware of the requirements and will ensure that steps are taken to rectify.

BANK RECONCILIATION

Recommendations:

- Accurate financial reports should be included in minutes; copies of bank statements (either hard or soft copy) should be provided to councillors along with a bank reconciliation and signed off at each meeting.
- A list of payments to be approved by council should be included within the meeting agendas.
- Four councillors are bank signatories along with the clerk/rfo; to ensure there are always sufficient signatories available especially for illness and/or absences due to holidays etc.

ASSET CONTROL

There is no up-to-date asset register the last copy is dated 2022. See comments under Transparency.

RISK MANAGEMENT

This heading needs urgent attention as it would appear there is nothing in place for paras 52 / 53 / 54 / 55 which will need to be in place before the final AGAR can be signed off.

Continued/....

GENERAL

The council is currently operating two laptops (one used by the previous clerk(s) and one used by a responsible financial officer [now undertaken by the clerk]). I understand a new laptop is being purchased and steps are to be taken for adequate and appropriate back up of files etc. I am advised that investigations are underway to provide secure and fireproof storage of all council owned property and files.

There is no evidence of registration with the Information Commissioners Office (ICO).

Recommendations:

- Council should register with the ICO as soon as possible and the certificate published.

PROPER PROCESS / PRACTICE

The council is an employer and as such should have a number of processes and practices in place. There is no HR/Personnel Committee in place which should be operating under relevant Terms of Reference to support the clerk/rfo (and other employees).

Declarations of Acceptance of Office were not readily available to view.

From the start of the Financial Year 2025/26 all councils should have a ".gov.uk" or ".org.uk" email address.

Recommendations:

- HR/Personnel Committee (or working group) should be formed as soon as possible to work with appropriate ToRs. This committee/working group ideally should not include the Chair of Council.
- Declarations of Acceptance of Office to be located for inspection at the final audit/AGAR sign off meeting.
- Council should investigate and adopt ".gov.uk" or ".org.uk" email addresses as soon as possible (this is a requirement under the new Governance and Accountability for Smaller Authorities for the 2025/26 financial year).

TRANSACTION SPOT CHECK

Included in this intermediate internal audit is a transaction check which unfortunately did not prove to be easy as the recording seemed to be a bit "sketchy" - the bank/balances did however reconcile. The clerk/rfo has spent a considerable amount of time locating all the relevant information but some information could not be located.

I am confident that following discussions with the clerk/rfo that this will not be a problem in the future.

OTHER

I would suggest that a number of policies (some are also detailed above) should be produced and published to give credibility to Potterhanworth Parish Council, viz;

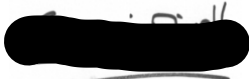
- Standing Orders
- Financial Regulations
- Risk Management
- Data Protection
- Freedom of Information
- Records Retention
- Scheme of Publication
- Complaints

Council is an employer therefore, as a minimum the following HR/Personnel policies should be in place, others are optional.

- Grievance
- Disciplinary

Templates are available via the LALC website however all policies etc should be tailored to Potterhanworth Parish Council.

I would like to thank Eddie for his hospitality to conduct this audit (and for the doggy fuss!).


Cathryn Nicoll
Internal Auditor - Lincolnshire Association of Local Councils
Date: 10 April 2025


FINAL INTERNAL AUDIT REPORT

I revisited the home of the clerk/rfo to Potterhanworth Parish Council to complete the internal audit for the year ending 2024/25 and thank Eddie for providing this facility and the coffee.

This report should be read in conjunction with the Audit Checklist which I have annotated [highlighted] where action or clarification has occurred.

I have concentrated on the "high" risk items which the clerk/rfo is working through and many of the documents are to be agenda'd for approval and adoption imminently. I am sure all actions will be completed in due course.

The clerk/rfo has been in post since the 1 March 2025 and during that time has made excellent progress in ensuring Potterhanworth will become a well-run council operating within the Practitioners Guide 2025 published by the Smaller Authorities Proper Practices Panel.



Cathryn Nicoll
Internal Auditor - Lincolnshire Association of Local Councils
Date: 19 May 2025