



Internal Audit Report.

Council:	Potterhanworth Parish Council
Internal Auditor:	Kirsty Sinclair
Year Ending:	31 st March 2026
Date of Report	01/06/2026

This internal audit has been conducted in accordance with SAPPP Practitioners' Guide - March 2025 - Section 4 'Internal Audit'. It is recommended that a council completes an intermediate mid-year audit which allows any weaknesses in governance and internal controls to be corrected during the financial year and an end-of-financial-year audit.

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 sampling tests undertaken by 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 further audit enquiries being raised and the external auditor issuing a qualified opinion.

Lincolnshire Association of Local Councils

Internal Audit Report.

To the Chairman of Potterhanworth Parish Council

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

I confirm that I am independent of the council, its officers and councillors and its activities and I identified no conflicts of interest to my work with this council to the best of my knowledge.

The results of this yearend internal audit are recorded on the next page. Due to the intermediate internal audit not being completed until March 26, this did not allow sufficient time for council to implement the recommendations before the yearend audit so they remain listed below. However, the minutes from March 26 show that the report has been received and reviewed by council and actions will be carried out in due course.

Any areas I believe should be answered 'no' on Section 1 of the AGAR are also included in the table below.

Yours sincerely

Kirsty Sinclair

Internal Auditor

Lincolnshire Association Local Councils

Date: 1st June 2026

Area of work checked	Outcome
Implementation of previous auditor recommendations	Weaknesses identified
Implementation of previous AGAR weaknesses/ recommendations	Not applicable
Key Governance Review	Weaknesses identified
Transparency	Weaknesses identified
Accounting	Weaknesses identified
Budget	Weaknesses identified
Income Control	Evidence Produced
Bank Reconciliation	Evidence Produced
Petty Cash	Not applicable
Asset Control	Weaknesses identified
Risk Management	Weaknesses identified
General Administration	Evidence Produced
Proper Process/Practice	Evidence Produced
Payroll/HR	Weaknesses identified
Information and Data Compliance	Weaknesses identified
Transaction spot checks	Weaknesses identified
Year-end process	Not audited
Allotments	Not applicable
Cemetery/burials	Not applicable
Charities	Not applicable
Community Buildings	Evidence Produced
Markets	Not applicable
Other:	Not applicable
Other:	Not applicable

Recommendations

Key Governance

1. Code of Conduct referenced within the minutes but not published online. Recommendation to publish the approved Code of Conduct online.
2. No announcement date was visible on the Arrangement for Inspection of Public Records for 24-25. Recommendation to include an announcement date on all subsequent announcements.

Transparency

1. Asset register does not show any review dates. Recommendation to add review dates to the document.

Accounting

1. Some of the financial reports had not been signed within the 3-month period. Recommendation that the financial reports are signed in a timely manner.
2. Some grants awarded have been allocated under s137. Most grants can be awarded under Section 19 of the Local Government (Miscellaneous Provisions) Act 1976.

Recommendation that these grants are reallocated under another budget heading and not S137.

3. Council has no investment strategy. Recommendation that council adopts an Investment Strategy as best practice.

Budget

1. The 25/26 budget and precept were not minuted correctly. The budget should be resolved showing income and expenditure first. This then informs the precept setting. However, there is evidence that 26/27 budget has been recorded correctly.

Recommendation that this process is continued in subsequent years.

Asset Control

1. Title deeds and plans were not available for inspection. Recommendation that these are obtained from HM Land Registry, if required, and readily available when needed.

Risk Management

1. No Health and Safety policy in place. Recommendation that council adopts a Health and Safety policy.

2. Storage of paper files is inadequate. Documents should be stored in a fireproof cabinet. However, it was evident there is an earmarked reserve for these. Recommendation that a fireproof cabinet is purchased promptly.

Payroll and HR

1. No evidence of rights to work checks were completed. Although advised that ID was checked, recommendation that copies of these documents are scanned and kept securely and confidentially on file.

2. No evidence of a training policy or training record. Recommendation to adopt a training policy and record for all staff and members.

Information and Data Compliance

1. Council is not registered with the Information Commissioner's Office. Recommendation that council register with the Information Commissioner's Office.

2. Council does not have council owned domain for emails to ensure secure sharing of council communication and documents. Recommendation to move to a council owned email domain.

3. Website accessibility has been published online but with no review date. It is currently showing the previous 2.1 model. Recommend a review of the accessibility statement and update to version 2.2 and review regularly.

4. Council does not have a GDPR/Data Protection Policy, Publication Scheme or an IT policy. Recommendation that council adopts these policies and publish online, where necessary.

Transaction Spot Checks

1. Clerks expenses in September 25, including the purchase of a poppy wreath, did not show the VAT within the cashbook. Recommendation that the VAT be recorded and reclaimed at year end.

Recommendations regarding the Annual Governance Statement 2025-26

The requirements to state 'Yes' for each assertion is described in Chapter One Practitioners Guide 2025-26.

Annual Governance Statement Assertion	Internal Auditor comments
<p>Assertion 1 - Financial management and preparation of accounting statements <i>We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.</i></p>	
<p>Assertion 2 - Internal control <i>We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.</i></p>	
<p>Assertion 3 - Compliance with laws, regulations and proper practices <i>We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.</i></p>	
<p>Assertion 4 - Exercise of public rights <i>We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.</i></p>	<p>No – Dates were not correctly displayed on the rights to inspection notice.</p>
<p>Assertion 5 – Risk management <i>We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required</i></p>	
<p>Assertion 6 – Internal Audit <i>We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.</i></p>	
<p>Assertion 7 – Reports from Auditors <i>We took appropriate action on all matters raised in reports from internal and external audit</i></p>	
<p>Assertion 8 – Significant events <i>We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements.</i></p>	
<p>Assertion 9 – Trust Funds (local councils only) <i>Trust funds (including charitable). The council is a sole managing trustee and has discharged its accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.</i></p>	
<p>Assertion 10 - Digital and data compliance <i>We considered and implemented the requirements to protect data and information.</i></p>	<p>No – council does not operate council owned domains or adequate data protection policies in place.</p>

-End of Internal Auditor's Report-