

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:	Sheepy Parish Council		
Name of Internal Auditor:	Hannah Shaw	Year ending:	31 March 2025
Date audit carried out:	08/05/2025	Date of report:	12/05/2025

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



Reports from internal and external auditors 2023-2024

All councils and parish meetings

Have comments from the internal audit 2023-2024 been addressed?

Comment or recommendation from internal auditor 2023-2024	Comment from internal auditor for this report
Bank Balances - Consider minuting the bank balances at every Parish Council meeting under Finance, in addition to the quarterly bank reconciliation.	Actioned
Bank Statements and Invoices – I advise presenting hard copy bank statements and invoices at every council meeting, signed by the RFO and two authorising Councillors.	Actioned
Budget – Suggest formally minuting quarterly budget reviews	The budget is monitored carefully; however, I suggest attaching budget review spreadsheets to the minutes.
High level of General Reserves - Monitor and refer to guidance within the Joint Panel on Accountability and Governance Practitioners' Guide, paragraphs 5.31 to 5.37 inclusive.	Actioned. Reserves now within the normal recommended range.
Legal Power of Expenditure and minute references - Consider recording the legal power of expenditure and both minute references of approval and payment against each transaction.	Minute references now recorded within the accounts, including S137 payments.
Statement of Internal Control - Consider adopting a Statement of Internal Control which outlines the Council's existing procedures to facilitate the effective exercise of the Council's functions and includes arrangements for the management of risk and financial control.	Actioned and adopted November 2024.
Website – Consider migrating to a .gov.uk domain as advised in the JPAG Practitioner's Guide 2024, including all Council email accounts.	Not actioned. Recommend for 2025/2026 financial year.

Councils and parish meetings subject to a Limited Assurance Review for 2023-2024

Have comments from the external audit 2023-2024 been addressed?

Comment or recommendation from external auditor 2023-2024	Comment from internal auditor for this report
Council approved Section 2 of the AGAR before the RFO which is in breach of Section 12 of the Audit and Accounts Regulations 2015	The Council should ensure the form is duly completed prior to consideration for approval.
Box 11a was not initially completed on Section 2 Accounting Statements and Assertion 9 was not initially completed on Section 1 Governance Statement.	This issue was raised on a prior year's EA Report and as this was not appropriately actioned, the Council should have therefore, answered 'No' to Assertion 7 of Section 1 of the AGAR which relates to taking appropriate action on matters reported from IA and EA.
The Council left a significant time period between approval of the AGAR and the commencement of the Public Rights period.	The Audit and Accounts Regulations 2015, section 12 (3) (a) and proper practices require that following approval of the Return, the Public Rights Period should commence as soon as is reasonably practicable when taking into consideration the mandatory inclusion of the first 10 working days of July.

Insufficient information was provided with the initial supporting data submitted for review with regards the breakdown of reserves.	The Parish Council should ensure that all necessary supporting information is provided with their annual submission.
The Council's general reserves are higher than the generally accepted level for smaller authorities.	Paragraph 5.33 of the JPAG Practitioner's Guide, best practice suggests that general reserves should cover at least 3 months of expenditure and anything greater than 12 months of expenditure is considered excessive.
Section 2 of the AGAR was submitted without the Trust Fund disclosure completed in Box 11b.	This was later re-submitted with a 'N/A' answer to BOX 11b, in line with expectations.
There was a typographical error on the explanation of significant variances document for the item 'Total Fixed Assets'.	Please ensure that all items included within the explanation of variances are stated accurately.

To the Chair of Sheepy Parish Council

Overview and Observations:

In accordance with the terms of my engagement, I undertook a review of Sheepy Parish Council's accounts, records, policies and procedures for the financial year ending 31st March 2025, following which I completed and signed the Annual Internal Audit Report, of the Annual Governance and Accountability Return 2024/25 Form 3.

Sheepy Parish Council has 11 seats (4 quorum) and employs one member of staff, Jason Stephenson, who is the Clerk and Responsible Financial Officer to the Council. There are no committees and all matters are dealt with by full Council.

The Council banks with HSBC and payments are made by either cheque or standing order. There is no access to online banking facilities, however, I am told an application to Unity Trust Bank for online banking facilities with two Councillor authorisation, is currently in progress.

Cheques are prepared by the Clerk and taken to Parish Council meetings where payments are approved and the cheques are signed by the Clerk/RFO and one Councillor. Comprehensive bank reconciliations are carried out during the year at Council meetings and hard copies of the bank statements are presented at meetings and signed by two Councillors. All payments are detailed within the finance section of Council meeting agendas and minutes. Bank balances are included within monthly bank reconciliations which are published to the Council's website; however, I recommend the figures are included within Council minutes.

The RFO uses a comprehensive spreadsheet to record all transactions on a Receipts and Payments basis. VAT is reclaimed once per year and is up-to-date and payroll is outsourced to accountancy firm, Haines Watts. Sheepy Parish Council does not hold the General Power of Competence but minute references are recorded within the accounts, as are S137 payments.

As of 31/03/25, Sheepy Parish Council carried forward reserves of £53,660 which equates to approximately 11.5 months running costs based on the Council's 2024/2025 expenditure and are now within the normal range of 3 to 12 months running costs.

Sheepy Parish Council has public and employer's liability insurance with Zurich until 31st May 2025 and the current year's insurance certificate is published to the Council's website. The level of cover appears to be sufficient for the Council's needs. The Council has responsibility for maintenance of the closed Churchyard and owns various items of street furniture, as detailed in the Assets Register.



The Asset Register is well maintained and now stands at £99,365, an increase of £24,150 on the previous year, following the purchase of five Vehicle Activated Signs and interpretation boards. A copy of the most recent Assets Register is published to the Council's website.

I have seen evidence that adequate budgetary controls are in place and an annual budget for the 2024/2025 financial year is published to the Council's website. I recommend the Council's quarterly budget reviews are formalised and included within Council minutes.

All agendas and minutes of Parish Council meetings are available to view on the Council's website. Minutes are published within the required 28-day period and are marked as draft until being confirmed and signed by the Chairman at the next meeting.

With regards to the Exercise of Public Rights, the Council correctly provided for a 30 day period for the 2023/2024 financial year, including the first 10 working days of July, however, the dates minuted required slight amendment, as the date of commencement within the minutes (but not the published notice) was a Sunday. The External Auditor also noted there was a significant amount of time between approval of the AGAR 2023/2024 and the commencement of the Public Rights Period. The Audit and Accounts Regulations 2015 require that following approval of the Return, the Public Rights Period should commence as soon as is reasonably practicable, when taking into consideration the mandatory inclusion of the first 10 working days of July.

The Council has an array of comprehensive policies and procedures which are reviewed and re-adopted on a rolling program, including Standing Orders, Financial Regulations, Complaints and Equal Opportunities policies and the Council's Risk Assessment. All policies are published to the Council's website. Following a recommendation made last year, the Council adopted a strong Statement of Internal Control in November 2024 which outlines the Council's existing procedures to facilitate the effective exercise of the Council's functions and includes arrangements for the management of risk and financial control.

Additionally, in accordance with The Practitioners' Guide 2025, Sheepy Parish Council, should give due consideration in the next year to migrating over to a .gov.uk domain for their website, including all Council email accounts and to adopting an IT Policy. Specifically, paragraphs 5.121 to 5.124 state:

AGS Assertion 10 — Digital and data compliance

5.121. Data protection and security - Using authority-owned email accounts ensures that sensitive information is handled in a controlled environment with appropriate security measures. This aligns with GDPR principles such as data minimisation, integrity and confidentiality.

5.122. Accountability and transparency - authority-owned email accounts provide a clear record of communications, which is essential for transparency and accountability. This helps in maintaining an audit trail and ensures all authority-related communications are accessible for review if needed.

5.123. Consistency, trust and professionalism - it is best practice to use .gov.uk domains for smaller authorities' emails and websites (excluding parish meetings). This helps maintain a consistent and professional image for the authority and ensures all communications are easily identifiable as coming from the authority. This is increasingly important as cyber scams are on the rise. For support on setting up a gov.uk domain for your smaller authority you can follow the guidance on moving your



parish council to a .gov.uk domain.

5.124. Having authority-owned email accounts also makes Data Subject Access and Freedom of Information Requests easier to manage.

5.125. Compliance with policies - All authorities should have an IT policy that mandates the use of authority-owned email accounts for official business. These policies are designed to ensure that all communications are conducted in a manner that is consistent with the authority's standards and legal obligations

During a transaction spot check, I was presented with supporting invoices of expenditure and bank statements for all transactions selected and the accounts appear to be kept in good order.

Summary:

The report and findings are based on the information that was made available during the course of the audit. I am satisfied there are good internal control measures in place to protect the Parish Council from financial risk.

To the best of my knowledge, all accounts and bank balances appear to be in order and accurate based on the information to hand, however, this internal audit does not involve the detailed inspection of all records and transactions of the Parish Council in order to detect error or fraud.

With many thanks to, Jason Stephenson, Clerk and RFO, for preparing the necessary documentation for the purpose of this internal audit.

Recommendations for this report

All councils and parish meetings

Recommendations from internal auditor 2024-2025

Area for consideration or improvement	Recommendation
Bank Balances and Reconciliations	Suggest formalising monthly bank reconciliations including figures, within Council minutes.
Budget Reviews	Consider formalising quarterly budget reviews by attaching the budget review spreadsheet to the minutes.
Inspections	Suggest a formal record of inspections of Council land and property/street furniture is kept on file and/or minuted.
Insurance	Consider Cyber Security Cover.
Website, Emails and IT Policy	Migrate to a .gov.uk domain for the 2025/2026 financial year, in line with the SAPPP Practitioners' Guide 2025 and consider adoption of an IT Policy.

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

	Reason
A	
B	
C	
D	
E	
F	
G	

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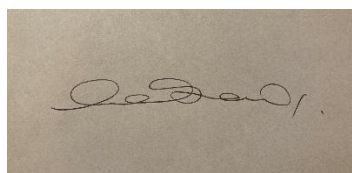
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M	There was a significant amount of time between approval of the AGAR 2023/2024 and the commencement of the Public Rights Period.
N	
O	

Section 2 - Accounting Statements 2024/25

	Year ending 31 March 2024	Year ending 31 March 2025
1. Balances brought forward	67155	68681
2. Annual precept	35000	35000
3. Total other receipts	1945	5627
4. Staff costs	9774	10677
5. Loan interest/capital repayments	0	0
6. Total other payments	25645	44971
7. Balances carried forward	68681	53660
8. Total cash and investments	68681	53660
9. Total fixed assets and long-term assets	75215	99365
10. Total borrowings	0	0

Yours sincerely,



Hannah Shaw
Internal Auditor to the Council

