Narrative Internal Audit Report

to be read in conjunction with the Annual Internal Audit Report in the
Annual Governance and Accountability Return 2025 - 2026

Name of Authority:	Sheepy Parish Council		
Name of Internal Auditor:	Julie Moss	Year ending:	31 March 2026
Date audit carried out:	March and April 2026	Date of report:	10th April 2026

As internal auditor, I confirm that I am independent of your authority and competent as required by the Smaller Authorities Proper Practices Panel (SAPPP) *Practitioners Guide*. I confirm that I have no connection with your authority that will conflict with my role as internal auditor and that I am not involved in any aspect of decision-making, management or control of your authority.

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 *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.

- Section 4.11 of the *Practitioners' Guide* asserts that the independence of the appointed person or firm should be reviewed every year.
- Section 4.16 requires that authorities should carry out a review of the effectiveness of their overall internal audit arrangements, at least once each year.
- Section 5.103 specifies that the authority 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.

This report is addressed to your chair for circulation to all members. It should be considered in a meeting of the full council or parish meeting.

Reports from internal and external auditors 2024-2025

All smaller authorities	
Have comments from the internal audit 2024-2025 been considered and addressed?	
Comment from internal auditor 2024-2025	**Response from internal auditor for this report**
Suggest formalising monthly bank reconciliations including figures, within Council minutes.	Actioned.
Consider formalising quarterly budget reviews by attaching the budget review spreadsheet to the minutes.	Actioned.
Suggest a formal record of inspections of Council land and property/street furniture is kept on file and/or minuted.	Actioned.
Consider Cyber Security cover.	Considered low risk. To be formally approved at May 2026 Annual Parish Council meeting.
Migrate to a .gov.uk domain for 2025/2026 financial year, in line with the SAPP Practitioner's Guide 2025 and consider adoption of an IT Policy.	In progress. See my comments below.
Please add additional boxes as required. *If the internal auditor had no recommendations or comments, please record None rather than deleting this table.*	

Smaller authorities subject to a Limited Assurance Review for 2024-2025	
Have comments from the external audit 2024-2025 been considered and addressed?	
Comment from external auditor 2024-2025	**Response from internal auditor for this report**
None.	
Please add additional boxes as required. *If the external auditor had no recommendations or comments, please record None rather than deleting this table.*	

To the Chair of Sheepy Parish Council

I inspected the council website, exchanged emails and copy documents with the Clerk, Jason Stephenson.

I examined previous internal and external audit reports and related AGAR documents, policies, agendas and minutes, standing orders, financial accounting records, financial regulations, risk management, precept and budget process, samples of expenditure items and the asset register.

As advised in last year's Internal Auditor's report the Parish Council should by now have a .gov.uk email address and an IT Policy. I understand that this is in progress. However, there is a new internal control objective regarding digital and data compliance and I have checked the following:

- *Ensure local authority has, as a minimum, a single generic email address on an authority owned domain*. This has not yet been done.

- *Check that website accessibility has been tested, at least annually, and that the accessibility statement has been updated as required*. The accessibility statement was last tested in October 2021.
- *Check when the authority last completed a data audit.* In progress at the time of my audit.
- *Ensure the authority has prepared and formally adopted a data protection policy that is reviewed at least once annuall*y. Last reviewed in December 2024.
- *Ensure the authority has an up to date IT policy in place*. No IT Policy in place.

I have therefore had to answer 'No' to internal control objective O on my Annual Internal Audit report and you should also consider answering 'No' to Section 1 Annual Governance Statement numbers 7 and 10. All the above criteria are included in my recommendations for action below.

Other comments are:

1. The Council should be using the NALC model 2025 of Standing Orders (it is currently showing as version 3 from April 2024) and it is recommended that once this version has been approved that it is noted on the document and put on the website to replace the existing version.
2. A fair number of policies have not been reviewed since 2024 (including Code of Conduct, Data Protection, Publication Scheme, Reserves). All policies should be reviewed at least annually and the date of review noted on the policy and put on the website to replace the existing policy.
3. The last Annual Risk Assessment was completed in 2024/25 (although the version on the website is not accessible). This should be reviewed and updated annually and the date of review noted on the document.
4. The Asset Register insurance value of items does not agree to the value on the actual insurance schedule. For example, 17 street lights on the Asset Register are showing as an insurance value of £25,500 but on the insurance schedule they are valued at £44,894.54. Also, the bus shelter is on the asset as an insurance value of £3,877 but on the insurance schedule at £9,013.13. Clearly, the asset register insurance values need to be updated to match what is on the insurance schedule or the insurance policy values reduced.
5. Under the Accounts and Audit Regulations 2015, certain documents must be published on the council website. One of these is the External Auditor's report. The 2024/25 external auditor's report was missing when I first started the audit but this has now been put on the website.
6. I noted that many of the minutes of Council meetings held in 2025 were still showing as draft on the website even though they had been approved at subsequent meetings. As per Standing Orders paragraph 11f. *Subject to the publication of draft minutes in accordance with standing order 20(a) and following a resolution which confirms the accuracy of the minutes of a meeting, the draft minutes or recordings of the meeting for which approved minutes exist shall be destroyed, and removed from website and re-uploaded as approved minutes....*

The Council must take into account my responses on the Annual Internal Audit report when answering the questions on the Section 1 Annual Governance Statement.

Recommendations from internal auditor 2025-2026

All smaller authorities	
Recommendations for action from internal auditor for this report	
Areas for consideration or improvement	**Recommendation from internal auditor for this report**
Digital and data compliance *	i) Migrate to a .gov.uk email address. ii) Annually test accessibility statement and update as required. iii) Complete a data audit. iv) Conduct annual reviews of data protection policy. v) Conduct annual review of IT Policy.
Standing Orders*	Review and update NALC model 2025 Standing Orders and put on website.
Review of all policies*	Conduct annual reviews on all policies and update documents.
Annual Risk Assessment*	Conduct an annual review of Risk Assessment and update where necessary.
Asset Register and Insurance schedule*	Compare values and assets recorded on the Asset Register and on the Insurance schedule and update where necessary.
External Auditor's report	Publish the External Auditor's report on the website
Minutes of meetings	Approved minutes of meeting should be put on the website to replace draft minutes as soon as possible.

***All documents should have the date of the review put on them and then they should be uploaded on to the Council website.**

Annual Internal Audit Report 2025/26

Internal control objective		Explanation if required
A *Appropriate accounting records have been properly kept throughout the financial year.*	Yes	
B *This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.*	Yes	
C *This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.*	No	Risk assessment not reviewed since November 2024.
D *The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.*	Yes	
E *Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.*	Yes	
F *Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.*	Not covered	No Petty 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	
H *Asset and investments registers were complete and accurate and properly maintained.*	No	Mismatch of insurance values between Asset Register and Insurance schedule.
I *Periodic bank account reconciliations were properly carried out during the year.*	Yes	
J *Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.*	Yes	
K *If the authority certified itself as 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")*	Not covered	
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*	Yes	
M *In the year covered by this AGAR, the authority correctly provided for a period, for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2024-2025 AGAR period, were public rights in relation to the 2024-235AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).*	Yes	
N *The authority has complied with the publication regulations for 2024/25 AGAR (see AGAR Page 1 Guidance Notes)*	No	External Auditor's report was not published on the website.
O *The authority has complied with laws, regulations & proper practices relating to digital and data compliance*	No	None of the criteria have been satisfied.
P *(For local councils only)* *Trust funds (including charitable) – The council met its responsibilities as a trustee*	Not applicable	

Section 2 - Accounting Statements 2025/26

	Year ending		*Notes and guidance*
	31 March 2025 £	**31 March 2026 £**	*All figures should be rounded to the nearest £. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records.*
1. Balances brought forward	68,681	53,660	*Total balances and reserves at the beginning of the year are recorded in the financial records. Value must agree to Box 7 of previous year.*
2. (+) Precept or Rates and Levies	35,000	35,000	*Total amount of precept (or for IDBs rates and levies) received or receivable in the year. Exclude any grants received.*
3. (+) Total other receipts	5,627	7,564	*Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.*
4. (-) Staff costs	10,677	10,994	*Total expenditure or payments made to and on behalf of all employees. Include gross salaries and wages, employers NI contributions, employers pension contributions, gratuities and severance payments.*
5. (-) Loan interest/capital repayments	0	0	*Total expenditure or payments of capital and interest made during the year on the authority's borrowings (if any).*
6. (-) All other payments	44,971	20,678	*Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).*
7. (=) Balances carried forward	53,660	64,552	*Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).*
8. Total value of cash and short-term investments	53,660	64,552	*The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March –* ***To agree with bank reconciliation.***
9. Total fixed assets plus long-term investments and assets	99,365	99,365	*The value of all the property the authority owns – it is made up of all its fixed assets and long term investments as at 31 March.*
10. Total borrowings	0	0	*The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).*

For Local Councils only

11. Do the figures in the accounting statements above exclude any trust transactions	Yes	*For guidance refer to the Practitioners' Guide sections 2.31 to 2.33.*

Summary

This report and findings are based on the information that was available during the course of the audit. I am satisfied that there are good internal control measures in place. To the best of my knowledge, all accounts and bank balances appear to be in order and accurate but this internal audit does not involve detailed inspection of all records and transactions of the Parish Council to detect error and fraud.

With many thanks to Jason Stephenson, Clerk and RFO, for his support throughout the auditing process.

Yours sincerely,

JMoss

LRALC Internal Auditor

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