

THORNLEY PARISH COUNCIL INTERNAL AUDIT REPORT 2025/2026 Annual Return

1. Background

- 1.1. Following the abolition of the Audit Commission a new organisation has been established which is responsible for issuing proper practices in relation to the accounts of smaller authorities. It is called the Smaller Authorities Proper Practices Board (SAPPB), and is made up of members of the SLCC, NALC, CIPFA, the Department of Housing, Communities and Local Government (DHCLG), the Department of Environment, Food and Rural Affairs (DEFRA), the National Audit Office and a representative of the external audit firms appointed to smaller authorities
- 1.2. Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,0000 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. The AGAR is made of 3 sections along with an annual internal audit report. which is to be completed by the Parish Council's independent internal auditor, who is to give an opinion of the Parish Council's internal controls.
- 1.3. CDALC have provided Councils with a checklist to be used, this audit uses this list as the minimum of the tests to be carried out.

2. Objectives of the Audit

- 2.1. To examine the system of internal controls to ensure that the Parish Council may obtain an adequate level of assurance for its activities.

3. Scope of the Work and the areas of Audit Work examined.

- 3.1 The Scope of Work covers the key control tests identified in the Internal Audit part of AGAR,
- 3.2. To properly complete the audit the following areas of activity have been examined and tested.:
 - Payroll
 - Creditors (Accounts Payable)
 - Risk Management/Governance arrangements
 - Income collection and Banking arrangements
 - Assets
 - Debtors
 - Budgetary Control (including year end procedures)
 - Exercise of public rights
- 3.3. The audit findings of this report have been discussed with the Clerk of the Council and any audit recommendations have been agreed with her.

4. Findings

4.1. Payroll

- 4.1.1 The Parish Council has 6 employees who work standard hours who are paid monthly. Their monthly payments are calculated by an external accountant based on their annual salary after taking into account variations on National Insurance, tax etc. The amounts are notified to the Clerk for payment through the BACS system. To staff and HMRC.
- 4.1.2. Payments are processed by the external accountant, which is good independent internal control for the Council.
- 4.1.3. As stated in the Financial Regulations I can access the confidential record of salaries if required, which I previously did, to confirm the Monthly payments, which were correct

4.2. Creditors (Accounts Payable)

- 4.2.1. There is satisfactory separation of duties at Thornley Parish Council as the Clerk is responsible for Finance and Administration, with assistance from the Facilities Officer and the Administration Assistant. Compensating controls are also in place as all Councilors' can examine invoices at the Council meetings, and Financial Regulations outline the procedure to follow.
- 4.2.2. Financial Regulations state that cheques for payment should be prepared by the Responsible Finance Officer (Clerk) and together with the relevant invoices they shall be presented to the Council each month.
All payments are to be recorded in the minutes which are signed by the Chair. It is acknowledged that during the Pandemic arrangements had to be put in place where to maintain the Council's operations, payments are now made by Bacs, Direct Debits or Standing Orders.
- 4.2.3. In accordance with the agreed internal audit plan of work an examination of all payments between April 2025 to September 2025 has been carried out, with a report dated 10th November 2025, where no concerns were raised.
Therefore, I have examined all payments between October 2025 to March 2026 from the detailed Expenditure report (Cash Book1 -Payments) from the finance system to the monthly payments report and the invoices, and found all to be properly paid and recorded and were in accordance with the Financial Regulations and Standing Orders.
- 4.2.4. All donations paid had been agreed by the Council prior to payment being made and properly recorded as Section 137 payments in the minutes.
- 4.2.5. Although there is no petty cash held reimbursement to staff is made for small purchases and are paid through the creditors system.

4.3. Risk Management/Governance arrangements

- 4.3.1. Risk assessment and some policies reviews are carried out and approved by the Parish Council Members at the annual meeting every year.
- 4.3.2. The risks to Parish Council are also improved with the appointment of an independent Internal Auditor who will give assurance on the Council's activities.
- 4.3.3. The Council throughout the year review various policies when necessary.
- 4.3.4. Accounts and Audit Regulations 2015 state that Councils should carry out a review of the effectiveness of the systems of internal control which supports the Annual Governance Statement, this is completed and this is reported with the statement of accounts.
- 4.3.5. The announcement of the public rights for 2024/25 was dated 2nd June 2025 with the inspection of the accounts available between 3rd June to 12th July 2025
- 4.3.6. The Council has met its obligation throughout the year to satisfy the criteria for Assertion 10

4.4. Income collection and Banking arrangements

- 4.4.1. Income received is from the Precept, Village Centre events and activities, VAT refund, 2 allotments, a cemetery, and Welfare Park fees. All Income received at the Centre is banked through a paying in book by the Administration Assistant and recorded in the Finance system by the Town Clerk
- 4.4.2. Village Centre activities arrange many events and activities throughout the year by the Facilities Officer with the Administration Assistant, collecting cash, issuing invoices/receipt, completes the proforma income sheets, and pays in the monies.
- 4.2.3. Details of the bankings are shown on the back of the paying in slip which can be traced to either the proforma income sheet, cemetery receipt and invoices.

- 4.4.4. Previous audit report dated 10th November 2025 examined the income collected between April to September 2025 where there were no issues raised. This audit examines all the income collected between 1st October 2025 and 31st March 2026 as recorded in the Cashbook 1 report, receipts, from the finance system to the various records of the Council. I can confirm that all income has been promptly collected and banked and properly recorded in the finance system.
- 4.4.5. Fees and charges were reviewed on 3rd March 2026 Council meeting.
- 4.4.6. There are 4 bank accounts held by the Council:
A current account which is used to pay in all income and make payments which works in conjunction with another bank account which holds large amounts of money and is used to transfer money in (top up) and out of the current account.
Two accounts hold large deposits of money to obtain interest.
- 4.4.6 I confirmed the reconciliation of the bank statements at the end of the year to the Income and Expenditure records as shown in the finance system and the end of year fund balances.
- 4.4.7. The Vat claim for 2025/26 covering April to June was received 24th July 2025, July to September claim paid 25th October 2024, and October to December claim paid 14th February 2025

4.5. Accounting Records

- 4.5.1. All income and expenditure are recorded through the RBS financial software system (Rialtus) which is used by most larger Councils. This gives good reports for Financial Management of the Councils accounts for budgetary control and bank reconciliations.

4.6. Security/Assets

- 4.6.1. There is an Inventory held of all assets, which is reviewed and is agreed with the statement of accounts.

4.7. Debtors

- 4.7.1. There are accounts raised for some debts when customers wish to pay by cheque or bank transfer for events or activities at the Village Centre. These are held on the income file.

4.8. Budgetary Control

- 4.8.1. The draft budget/precept was discussed at the 25th November 2025 Council meeting and agreed at the Council meeting 13th January 2026 for the coming year, the annual budget was prepared to support the precept.
- 4.8.2. Budgetary control is satisfactorily carried out throughout the year using reports from the finance system.

5. Conclusions/Recommendations

- 5.1. The Internal Controls within the Parish Council are satisfactory with no recommendations made.
- 5.2. To give additional assurance to the new Clerk and Members I would recommend an interim audit to be carried out in November on accounts payable and income received.



**Gordon Fletcher (C.M.I.I.A.),
Internal Auditor,
Date: 25th April 2026**